Can Europe compete?
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FINANCIAL TIMES

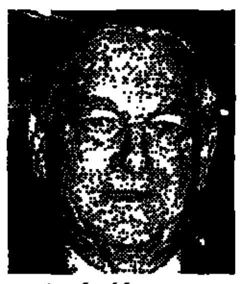
Europe's Business Newspaper | TUESDAY MARCH 1 1994 | D8523A

Stronger bonds boost European share markets

A further recovery in bond markets led share prices higher across Europe. Bonds consolidated in calmer trading but traders said long-term investors remained sidelined and cash activity was thin. German bond markets firmed after the Bundesbank called for variable-rate securities repurchase agreements, a move seen as paving the way for lower short-term interest rates. Later, encouraging comments from a member of the US Federal Reserve gave US Treasuries a lift, further supporting European bond markets. Bond markets, Page 24; London stocks, Page 31; World stocks, Page 42

Hollinger buys Chicago Sun-Times: Hollinger, the international newspaper group controlled by Conrad Black, owner of Britain's Telegraph group, has purchased the ninth biggest US daily, the Chicago Sun-Times. Page 19

HSBC sees big rise in pre-tax profits



A buoyant banking market in the Asia Pacific region and big earnings from foreign exchange and capital markets trading lifted pre-tax profits of HSBC Holdings by 51 per cent to £2.58bn ($3.76bn) last year, compared with £1.74bn in 1992. HSBC, chaired by Sir William Purves (left) has become the second most valuable company on the London stock exchange since its acquisition of Midland Bank in 1992. Page 19; Greater than the sum of his parts, Page 17

Deadline for EU enlargement talks: Strenuous efforts were being made in Brussels last night to salvage negotiations to get Finland, Sweden, Austria and Norway into the European Union by next year. Page 18

Elf urged to build east German refinery: The German government and privatisation authorities stepped up pressure on French energy group Elf Aquitaine to build a showpiece oil refinery in Leuna, eastern Germany. Page 18

Bentsen may modify bank proposals: Plans to consolidate the multi-layered US bank regulation system will face a crucial test this morning when Treasury secretary Lloyd Bentsen presents the administration's proposals to the Senate banking committee. Page 5

Japan reviews defence policy: The Japanese government opened the first review of defence policy for nearly 20 years, caught between pressure for defence cuts and fears of weaker US involvement at a time when regional stability is at risk. Page 6; Housing boost, Page 6

Russian intelligence chief sacked: President Boris Yeltsin sacked the head of his domestic intelligence service and presided over the first tit-for-tat expulsion of a US diplomat under his rule. Page 3

Malaysia sees trebling of telecoms: The Malaysian government wants to more than treble the size of its telephone network in the next six years, and is anxious for western companies to help. Page 4; Malaysia steps up UK curbs, Page 6

NBC, US network television broadcaster, is expressing serious interest in applying to run a new national Channel 5 in the UK. NBC could not by law control such a venture, but is starting to look for potential UK partners. Page 8

PolyGram, one of the world's top three music companies whose acts include Sting, Van Morrison, and Stevie Wonder, reported a 21 per cent leap in net income in 1993 to Fl 614m ($319m) from Fl 506m in 1992. Page 20, Lex, Page 18

UK economic figures improve: A sharp rise in the purchasing managers' index and newly-published money supply figures point to the health of the UK recovery after recent sluggish economic statistics. Page 8

Hijackers surrender: Three men who hijacked an Algerian airliner carrying 120 passengers to Alicante in southern Spain surrendered to Spanish police after five hours of negotiations. All passengers were believed to be unhurt.

Gainsborough: A self-portrait by 18th century artist Thomas Gainsborough has been accepted by the government in lieu of £1.1m in inheritance taxes from the estate of the late Dowager Marchioness of Cholmondeley. The canvas will be handed to the National Gallery.

■ STOCK MARKET INDICES		
FT-SE 100:	3,328.1	(+45.9)
Yield	3.60	
FT-SE Eurotrack 100	1,456.43	(+8.42)
FT-SE-A All-Share	1,675.49	(+1.3%)
Nikkei	19,997.20	(+193.62)
New York lunchtime		
Dow Jones Ind Ave	3,849.75	(+10.97)
S&P Composite	468.72	(+2.65)
■ US LUNCHTIME RATES		
Federal Funds	3¼%	
3-mo Treas Bills: Yld	3.494%	
Long Bond	94½	
Yield	6.667%	
■ LONDON MONEY		
3-mo Interbank	5⅛%	(5¼%)
Liffe long gilt future:	Mar 113½	(Mar 112½)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Apr)	$13.55	(13.445)
■ Gold		
New York Comex (Apr)	$382.5	(379.8)
London	$381.80	(378.7)

■ STERLING		
New York lunchtime:		
$	1.4895	
London:		
$	1.4861	(1.4909)
DM	2.5366	(2.5418)
FFr	8.6244	(8.65)
SFr	2.1225	(2.1268)
Y	154.777	(156.077)
£ index	80.6	(80.8)
■ DOLLAR		
New York lunchtime:		
DM	1.7015	
FFr	5.7865	
SFr	1.4245	
Y	104.695	
London:		
DM	1.7068	(1.7055)
FFr	5.8034	(5.804)
SFr	1.4282	(1.427)
Y	104.150	(104.725)
$ index	66.1	(same)
Tokyo close Y 104.30		

Karadzic flies to Moscow after US fighters shoot down four jets in Bosnia

Russia backs Nato action against Serb warplanes

By Leyla Boulton in Moscow, George Graham in Washington and Laura Silber in Belgrade

Mr Radovan Karadzic, the Bosnian Serb leader, flew unexpectedly to Moscow last night after Russia supported the shooting down by US Nato fighters early yesterday of four of his warplanes.

Mr Andrei Kozyrev, the Russian foreign minister – apparently seeking to pull off another diplomatic coup similar to the intervention that averted Nato air strikes on Bosnian Serb ground positions two weeks ago – said Moscow wanted to encourage Serbs and all other warring parties in former Yugoslavia to "work for peace in a fratricidal conflict".

Mr Kozyrev said: "The most important thing now is not to slacken the pace in resolving the issue of creating safe areas and of working on questions which have already been agreed." He gave no details.

On the day Nato took part in combat for the first time in its 40-year existence, Russia also indicated its willingness to forge closer links with the western alliance.

Mr Vitaly Churkin, deputy foreign minister and special envoy to former Yugoslavia, announced that Moscow would soon sign up

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to Nato's "partnership for peace", which envisages closer military co-operation with the alliance. He was speaking after talks in Moscow with three Nato ambassadors.

Russia's endorsement of the peace plan – a week after President Boris Yeltsin promised a more assertive foreign policy – lent credence to Mr Churkin's promise that Russia was determined to conduct a foreign policy "not aimed at worsening conflicts" but worthy of "a great sovereign state".

Mr Churkin refrained from directly blaming the Bosnian Serbs for provoking the Nato attack. The four Galeb light fighters were shot down north-west of the Bosnian capital Sarajevo after they had violated the United Nations no-fly zone. The UN resolution bans unauthorised flights by all fixed-wing aircraft and helicopters in airspace over the republic of Bosnia-Hercegovina. Nato declared the no-fly zone in April 1993.

Russia, which is playing a pivotal role in the peace talks on former Yugoslavia, defended Nato's action, saying in a statement it was in accordance with the UN security council resolution passed in October 1992.

"Whoever carried out the military sortie over Bosnia . . . bears full responsibility for what happened," the statement said, according to Itar-Tass news agency.

In Washington, President Bill Clinton said the White House had been in touch with Moscow "and we have explained what happened". Other western leaders, including Mr John Major, the British prime minister, who was visiting Mr Clinton, supported the action.

In Belgrade, there was no official comment from PresidentSlobodan Milosevic of Serbia. Mr Karadzic refused to confirm that the aircraft shot down were those of his forces. "We simply do not know the truth yet," he said at Belgrade airport before leaving for Moscow. An earlier statement from the Bosnian Serb army said its aircraft had "never breached the no-fly zone since it came into force".

UN officials said more than 1,600 violations of the no-fly zone had taken place, carried out by Croat, Moslem and Serb forces.

"Every attempt was made to the best of our information to avoid this encounter," Mr Clinton said yesterday morning. He added that the US pilots had issued two warnings to the six Galeb aircraft before opening fire.

Later, Vice-president Al Gore went further, saying the incident would reinforce other statements by Nato or the United Nations.

"There is much we still need to learn about why these aircraft would attempt their mission, but far from damaging the prospects for peace, it may actually improve the prospects for peace," he said.

Reuter
Bill Clinton explains to reporters the shooting-down of four Serb aircraft which defied the UN imposed no-fly rule over Bosnia

Central banks inquire into hedge fund risks

By Sara Webb in London

Leading central banks are investigating the risks to the world's financial system posed by highly geared US hedge funds – aggressively managed pools of private money – in the wake of recent turbulence in European bond markets.

The Bank of England is holding talks with UK clearing and merchant banks and has sent them a questionnaire seeking a clearer picture of the risks involved and the extent of the banks' exposure to hedge funds. The Federal Reserve is doing much the same in the US.

Mr Otmar Issing, chief economist of the Bundesbank, said any new regulation of hedge funds must be considered slowly and carefully because new guidelines inevitably led to attempts to circumvent the rules, which must be anticipated.

Heavy selling by US hedge funds has been a leading factor behind the steep decline in European government bond markets in the past fortnight. That has led to concern that some of the smaller funds might be in financial difficulty.

Some hedge and futures funds lost as much as 25 per cent of their value in February, according to preliminary figures from Tass Management, a fund database that monitors the sector.

The Bank of England's main concern is over the exposure of UK clearing and merchant banks, both as government bond marketmakers and as investors in bonds themselves. It wants to know whether banks' dealings with the hedge funds are backed by adequate collateral.

The bank is concerned in particular about financing arrangements. Hedge funds have been able to obtain funding from many banks at no margin, effectively borrowing $100 against the security of $100 worth of bonds.

The Bank of England considers that to be very risky, given the collapse in bond prices. If a hedge fund were to fail, a lender might

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Worries over excess government borrowings overshadow Singh's budget speech

India goes for liberalisation and growth

By Stefan Wagstyl and Shiraz Sidhva in New Delhi

Mr Manmohan Singh, the Indian finance minister, announced measures to liberalise the economy and promote growth yesterday, improving convertibility of the rupee and cutting interest rates, customs duties and taxes.

But the reforms, set out in the annual budget speech, were overshadowed by an admission that government borrowings have soared in the past year far above targets – to levels at which they are prompting some observers to voice fears about the country's economic stability.

Mr Singh disclosed that because of lower than expected tax and customs revenues and higher than anticipated spending on subsidies and other items, the fiscal deficit for the year to the end of March would be about 7.3 per cent of gross domestic product, compared with a target of 4.7 per cent.

The target for the new year starting in April is to be 6 per cent.

The budget was widely seen as a bet on growth – that increased economic activity would lead to higher government revenues and so eventually bring down public borrowing. Mr Singh admitted as much in his speech, saying that the risks he was taking were prudent.

Industrialists publicly hailed the steps taken to encourage growth, but they expressed fears 'about the fiscal deficit and disappointment at the lack of bold new deregulatory initiatives. The Bombay stock exchange 30-share index closed 50.37 points up on the day at 4,287.98.

Mr Singh was presenting his fourth budget since the government took office in 1991 and responded to a balance of payments crisis by embarking on India's most extensive economic reforms since independence.

He expressed concern about the fiscal deficit and pledged to "return to the path of fiscal rectitude". He promised to continue with pro-market reform and promoting international trade and investment.

He highlighted the achievements on the external account – including a 21 per cent increase in exports in the first 10 months of 1993-94 and a rise in foreign exchange reserves from $1bn in mid 1991 to a record $13bn. He said the government would make early repayment of $1.4bn due to the International Monetary Fund and borrowed during the 1991 crisis.

The rupee, already convertible for trade dealings, is also to be made freely exchangeable on the current account. Restrictions remain on capital transactions involving the sale and purchase of assets.

Mr Singh's other specific proposals include a cut in the maximum rate of customs duty from 85 per cent to 65 per cent, a reduction in the maximum rate of corporate tax including surcharges from 65 per cent to 55 per cent, and a cut in income taxes. The complex domestic sales tax is to be overhauled. Reform of the financial markets is to continue, with measures to enhance investor protection, help recapitalise banks and liberalise the insurance industry.

MCI invests $1.3bn in voice and data link with Nextel

By Louise Kehoe in San Francisco

MCI Communications of the US is to enter the mobile communications market with the phased acquisition of a 17 per cent stake in Nextel for about $1.3bn.

MCI, the country's second largest long-distance telephone company, will jointly market digital voice and data wireless services with Nextel, also of the US, and Comcast, another Nextel shareholder.

The move is seen as MCI's response to rival AT&T's planned acquisition of McCaw Cellular Communications, the largest US cellular telephone company.

Nextel operates a radio network for taxis and fleet vehicles. Last year the company acquired mobile radio frequency rights from Motorola, the US electronics group. It plans to create a national network using Motorola's technology, offering services including mobile telephones, messaging and paging.

The Nextel alliance will further MCI's ambitions in US local telephone markets.

Mr Bert Roberts, MCI chief executive, said: "MCI's investment in Nextel will accelerate the availability of advanced wireless voice and data communications."

Mr Morgan O'Brien, Nextel chairman, said: "This alliance means that everyone else will be playing catch up." MCI's marketing and customer base would allow the company to extend beyond its core of business customers, he added.

Last year British Telecom acquired a 20 per cent stake in MCI for $4.3bn in cash – funds that the company is now using to finance its expansion.

Motorola received a 20 per cent stake in Nextel in exchange for its radio licences. Other Nextel shareholders include Comcast, a US cable televison and cellular phone service company, which a holds a 17 per cent stake; Matsushita Communications, of Japan, which owns about 5 per cent, NTT, also of Japan, with 1 per cent.

MCI will purchase about 17 per cent of Nextel's stock, which will match Comcast's stake. The initial purchase, expected to occur in a few months, will consist of 22m shares for about $800m, or $36 per share. MCI has also undertaken to purchase another 15m shares at an average cost of $38 per share over the next three years, for a total investment of more than $1.3bn.

Nextel's integrated mobile communications service operates in Los Angeles, and will be available throughout California this year.

As part of the alliance, MCI and Comcast have entered into a shareholders' agreement with equal representation, and together will own approximately 35 per cent of Nextel.

Nextel's share price yesterday rose $38⅝ to $43⅞ by midsession. MCI was trading at $27⅞, up from $26½.

Austria	Sch32	Greece	Dr250	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.30
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	S.Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.50	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Taiwan	[illegible]
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L13000
						UAE	Dh12.00

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Western military alliance fires its first shots in anger

Edward Mortimer on Nato's changing role with the end of the cold war

The North Atlantic Treaty Organisation is universally regarded as the world's most powerful and best organised military alliance, and is credited with having won the cold war by its successful defence of western Europe against the overwhelming military power of the Soviet bloc.

Yet the extraordinary fact is that its strength and resolve had never been tested in actual combat – until yesterday Serb aircraft rushed in where Soviet leaders from Stalin to Gorbachev had feared to tread.

The cold war is in fact a classic instance of the old Roman adage, "if you want peace, prepare for war".

For 40 years Nato filled the north German plain with heavily armed combat units, patrolled the skies and sea lanes of Europe and the north Atlantic with innumerable aircraft and ships, and deployed nuclear weapons of various ranges aimed at Soviet and east European targets. All these forces and equipment were honed with constant exercises, but none of them were actually used, because the Soviet Union never attacked.

Of course, individual members of Nato have been involved in military action in various parts of the world, and sometimes several of them together – the most spectacular example in recent times being the Gulf war. But those were not Nato operations. The long experience of training and exercising together in Nato came in very useful: forces were diverted from Nato duties, and various Nato logistical assets such as pipelines or communications equipment were used. But the alliance as such was not involved.

Only in the past two years has Nato begun to envisage collective action "out of area", that is outside the territory, waters and airspace of its member states which it is pledged to defend. It has done so partly in search of a post-cold war role, partly out of awareness that European security is now threatened much more by conflicts within or between the former communist states than by any directly hostile intentions towards Nato members.

At Oslo, in June 1992, the alliance offered its services for peacekeeping duties to the Conference on Security and Co-operation in Europe, which was supposed to become the main regional collective security organisation in Europe under the UN. But events in the Balkans moved too fast for the CSCE to get its act together, and Nato soon found itself dealing directly with the UN, as an instrument through which various Security Council resolutions could be implemented.

Since July 1992 a combined Nato-Western European Union taskforce has been policing UN sanctions in the Adriatic, and since November 1992 it has had powers to stop and search ships for this purpose. Nato has also provided the headquarters unit of the UN protection force (Unprofor) in Bosnia.

When the Security Council imposed the no-fly zone (NFZ) in Bosnia in October 1992, Nato provided Awacs air surveillance aircraft to monitor it. On March 31, 1993, the Security Council authorised use of force against aircraft violating the NFZ, and on April 2 the North Atlantic Council (Nato's governing body) agreed to provide that force. As Mr Manfred Wörner, Nato's secretary-general, said at the time: "It is the first time that this alliance will run a military operation in practice, not in exercise. It is the first time that this will take place out of our area. It is the first time that it happens in support of a United Nations resolution."

Last June Nato went further, offering "protective air power in case of attack against Unprofor in the performance of its overall mandate". In August, and again in January and February, it issued specific threats of air strikes against Serb positions. Although these threats were subject to UN request, they were regarded by many, and notably by the Russians, as going beyond what the Security Council had authorised. But the shooting down, after warning, of aircraft violating the NFZ is clearly within the letter as well as the spirit of Security Council resolutions.

Belgrade hopes to exploit Russia's intervention in complex moves for peace settlement

Serbs still believe they hold winning cards

By Laura Silber in Belgrade

Russia's entry into Bosnian peace moves has boosted the confidence of Serb leaders, who believe they can shape the map, not only of Bosnia, but of all former Yugoslavia.

President Slobodan Milosevic, who emerged almost triumphant from recent confrontation with Nato over Sarajevo, was silent in the immediate aftermath of the shooting down of aircraft over Bosnia yesterday. But he is using Serb forces in a way that shows he is convinced Serbia still holds the key.

Serb officials believe Belgrade has seized control, via Moscow, of the political agenda for helping to end the war.

Over the past week, Serbian media found every opportunity to praise President Boris Yeltsin, formerly dubbed "an enemy of the Serbian people and the Orthodox world". After supporting Mr Yeltsin's proposal for a "great powers" summit on Bosnia, Mr Vladislav Jovanovic, Serbian foreign minister, even accused the west of "being more interested in blocking the Russian initiative than in putting forward an alternate plan".

In this vein, Serb officials believe the US is pursuing its own agenda, seeking to restore the Croatian-Moslem alliance so as to provide a balance of military power in Bosnia. This could isolate the Serbs and force them to make concessions but the gamble could backfire. "Serbia cannot be excluded from any peace agreement," a UN diplomat said.

The US plan would undermine the alliance cultivated in secret between Zagreb and Belgrade, aimed at dividing Bosnia at the expense of the Moslems. With Croatia and Serbia about to normalise relations, there is one outstanding issue: the status of Serb-held territory in Croatia, frozen under United Nations supervision.

According to senior Croatian officials, Washington has promised to guarantee return of those territories to Zagreb in exchange for Croatian backing of the US peace plan. But in a threatening broadcast, Belgrade radio on Sunday warned that the US moves could not only provoke clashes in Bosnia but lead to renewed fighting in Croatia between Serbs and Croats. Mr Jovanovic yesterday called it a "bellicose plan", warning Zagreb to side with Belgrade despite US pressure.

These statements reflect Mr Milosevic's belief he can derail the US initiative and weaken his adversaries. Recent events support this view:

● While Serb forces waged an offensive against the Bihac enclave in north-west Bosnia, Bosnian Serb leaders last week in Belgrade signed a defence pact with Mr Fikret Abdic. He is the renegade Moslem chief from the Bihac region who is a fierce opponent of Bosnian President Alija Izetbegovic.

● There has been a stand-off between Serb forces and UN troops at a bridge over the River Sava linking Serb-held territories in Croatia and Bosnia – to warn Zagreb that local Serbs, under control of Belgrade, could make trouble.

● Serb forces in the Dalmatian hinterland are poised again to destroy the strategic Maslenica bridge, which is now operating. The bridge joins northern Croatia with its southern Adriatic coasts.

While sceptical about prospects for a Croat-Moslem alliance, Belgrade fears the US will use the alliance to exert pressure on Bosnian Serbs to give up more land. This could include ceding access to the northern River Sava, which would effectively sever the east-west corridor linking Serbia with other Serb-held territory in western Bosnian and Croatia.

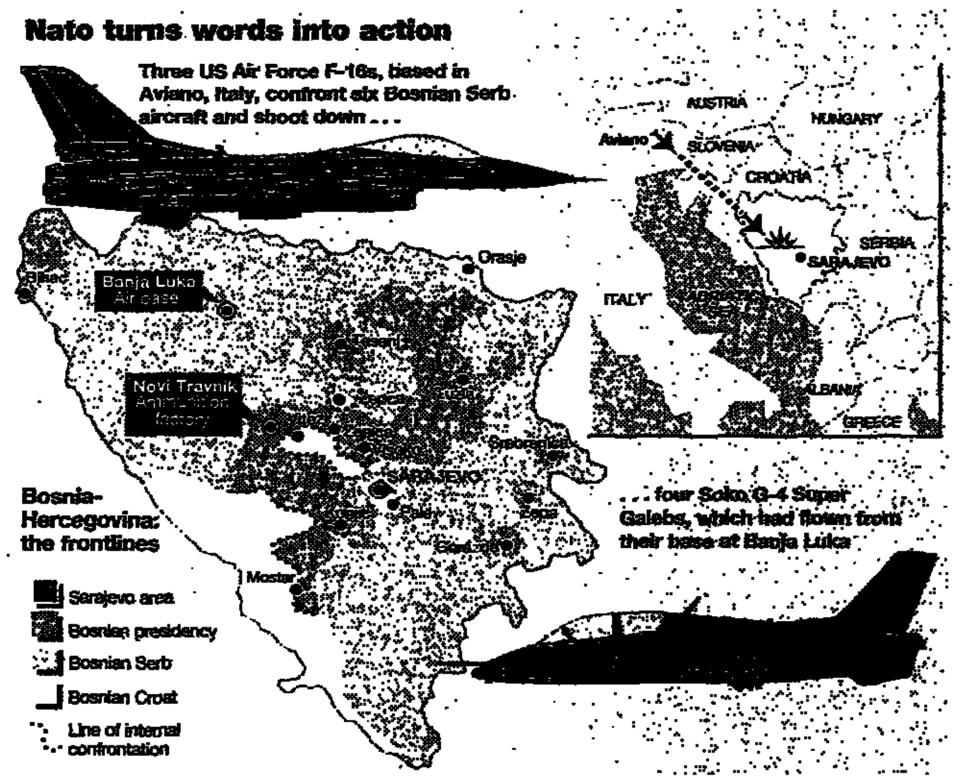
"This would result in a new round of fighting in northern Bosnia. The Moslems would probably join with the Croats to cut the corridor. The Serbs would fight against this tooth and nail," argues Mr Predrag Simic, head of the Institute for International Politics and Economy in Belgrade.

But Mr Milosevic is aware that if the war continues, the Serbs may lose their considerable advantage over the Moslems and Croats. More war would prolong Serbia's isolation. UN sanctions, imposed 21 months ago for Belgrade's role in the violent partition of Bosnia, would remain in force without a peace agreement.

But there is little doubt among Serbs that Serb-held land in Bosnia will soon unite with Serbia proper. The question that Belgrade wants to resolve is the future dimensions of Greater Serbia.

While watching what role the US plays, Serbian leaders are already confident the balance of forces now involved in the peace talks has fundamentally changed.

"Russia and the US are playing an old fashioned game called the cold war, with Bosnia as a magnet," says Mr Simic. While the Serb leadership awaits Moscow's next move, the Serbs believe Russia will defend them.



'Circus' turns deadly serious

By Laura Silber in Belgrade and Judy Dempsey in London

A United Nations official in Zagreb said yesterday that the no-fly zone over Bosnia-Hercegovina had been a "circus" since Nato aircraft began enforcing it some 10 months ago.

The UN declared the no-fly zone on October 9, 1992. Nato aircraft started enforcing it on April 12, 1993.

Under UN resolution 816, backed by Russia, no fixed-wing aircraft or helicopters are allowed to fly over Bosnia without prior permission and clearance from the UN.

The aim of the resolution, directed at Bosnian-Serb forces, Croatian aircraft and Bosnian government helicopters, was to prevent munitions and supplies reaching all three armies.

Bosnian Serbs began with a numerical advantage, since their air force was inherited from the former Yugoslav army. The Bosnian-Serb air force includes 30 fixed-wing jets – 12 Galeb and Jastreb light attack aircraft, 12 ex-Yugoslav Orao fighter bombers, six Russian-made MiG-21 fighters – and 15 Gazelle helicopters.

The Bosnian army is equipped with helicopters and light aircraft, while Croatia has four MiGs, although unconfirmed reports claim that the Croatian air force has acquired an additional 16 MiGs.

Since the enforcement of the no-fly zone, numerous violations have taken place.

According to UN officials in Belgrade and Zagreb, 1,397 violations were recorded between October 1992 and January 1, 1994. They add that between January 24 and February 17 alone, there were 152 violations, with the Bosnian Moslems responsible for 77, the Croats for 55, and the Serbs 19.

Most of these violations were by helicopters transporting munitions and personnel into military zones.

UN officials say that between last December 20 and January 24, the vast majority of the 65 violations were carried out by Moslem and Croat forces, mostly over central Bosnia.

More than 170 Nato aircraft have carried out 7,250 sorties, or fighter missions over Bosnia. Most of the aircraft fly out from the Italian air base of Aviano, Nato's largest base in southern Europe. The US, the Netherlands, France, Britain, Spain and Turkey are involved in the sorties, known as "Operation Deny Flight".

The sorties are backed up by Awacs surveillance aircraft and fuel tankers. Altogether, Nato has carried out 13,650 sorties over Bosnia.

Deals struck on east German coal and power

By Quentin Peel in Bonn

Germany's three largest energy utilities yesterday announced agreement to take over the lion's share of east Germany's power generating and coal mining industries, in two deals valued at more than DM10bn ($5.6bn).

The deals are the climax of two years of often bitter and complex negotiations with the Treuhand privatisation agency and the German government.

The big three – Essen-based RWE, PreussenElektra, owned by Veba, and Munich-based Bayernwerk – will jointly own 75 per cent of Veag, the main east German electricity company, with the remaining 25 per cent going to five smaller western utilities. The purchase price is around DM8bn.

The takeover of the giant Lausitz brown coal fields (Laubag), for a price of DM2.1bn, will involve the shareholders in a further investment of DM6bn over the next 20 years, according to Mr Friedhelm Gieske, RWE's chief executive.

The Rheinbraun subsidiary of RWE will be the 51 per cent majority shareholder in Laubag, with PreussenElektra taking 30 per cent, and Bayernwerk 15 per cent. RWE Energie will hold the balance.

The deals were announced in Bonn after a meeting of government and industry leaders chaired by Chancellor Helmut Kohl. They represent the final step in privatising the entire east German energy industry. Last year, the Treuhand agreed the sale of the other main brown coal mining operation, Mibrag, to an Anglo-American consortium involving Britain's PowerGen, NRG Energy of Minneapolis, and Morrison Knudsen of Idaho.

The whole process was delayed by legal challenges from east German local authorities, who sought to control a larger share of the lucrative power generation industry themselves. The states of Saxony and Brandenburg are still seeking a bigger say in the operations.

Veag supplies some 70 per cent of east German electricity, primarily from brown coal-fired power stations. It had a turnover of DM6.4bn in 1992, and made profits of just DM7.5m. Since 1990, its workforce has been halved to around 14,500.

Mr Gieske confirmed the planned investment of DM6bn in Veag over the next 20 years, to provide an eventual capacity of 7,200MW.

He said that the five Laubag opencast mines would be modernised and kept in operation and five closed. The total workforce of 12,000 would be reduced to 3,000 by the year 2000. The mines would eventually produce 50-55m tonnes of coal, compared with current capacity of some 75m tonnes.

Contracts for the two deals are to be signed by the middle of the year, according to yesterday's announcement. Then the utilities will have to make a downpayment on the DM2.1bn purchase price for Laubag, followed by further payments in the course of operation. Payments for Veag will also be spread over 20 years.

Industrial unrest hits transport

Striking transport workers disrupted German cities yesterday as industrial unrest spread from the engineering industry to the public sector, Reuter reports from Frankfurt.

Bus and train drivers in the industrial heartland of North-Rhine Westphalia prevented thousands from getting to work on time. Protest stoppages lasted for several hours.

The action against calls by the employers for a wage freeze and benefit cuts was the latest in a series of disputes over pay and job security which are hitting the German economy as it struggles to emerge from recession.

Danish coalition loses its majority

By Hilary Barnes in Copenhagen

Denmark's four-party centre-left coalition government yesterday lost its one-vote majority in the Folketing when a member of the Centre Democratic party resigned to sit as an independent for the rest of the current parliament.

The opposition is expected to try to exploit the change to force the government into calling an early election. However, the dissident Centre Democrat, Mrs Bente Juncker, has said that as long as the government sticks to the policy programme agreed when the government was formed in January last year she would not help to bring it down.

An election to the Folketing must be called by the prime minister, Mr Poul Nyrup Rasmussen, the Social Democratic party leader, by December 6. Mr Rasmussen has repeatedly said that he will postpone calling an election as long as possible.

Mrs Juncker was appointed minister for social affairs, replacing a Social Democratic minister, in a cabinet reshuffle on January 27. The reshuffle was intended to strengthen the government in general and the Centre Democrats in particular in the run-up to the election, but it went badly wrong.

Two weeks after the reshuffle Mrs Juncker was dismissed for passing on libellous rumours to journalists concerning the head of a home for mentally retarded adults.

Recent opinion polls suggest that the government – made up of the Social Democrats, the Centre Democrats, the Christian People's party and the Radical Liberals – will lose seats in an election. There is a risk that the Centre Democrats, with nine seats, and the Christian People's party, with four seats, will be eliminated from the Folketing altogether.

If an election result were to follow the opinion polls, Mr Rasmussen would continue to have a good chance of forming a minority administration, but he would have to rely on the support of the left-wing Socialist People's party.

Fiat workers back deal to save jobs

By Robert Graham in Rome

Works councils at Fiat's Italian vehicle plants have overwhelmingly endorsed a complex government-sponsored agreement avoiding large-scale job losses.

The deal directly affects 16,000 of Fiat's 95,000 vehicle workforce and was brokered by Mr Gini Giugni, the labour minister, between the Fiat management and union leaders last Monday.

The Fiom, the main engineering union, insisted the agreement be put to a shop-floor vote because Fiat's plans to cut its workforce by more than 5 per cent and lay off a further 10 per cent had provoked serious unrest in the previous three weeks.

Although less than 60 per cent of the workforce voted, almost 90 per cent favoured the deal in most plants.

The closest vote was at Alfa's Arese plant outside Milan, believed by the unions to be threatened with closure. Here, 55 per cent accepted the agreement.

The high numbers in favour suggested that employees previously threatened with job losses or up to two years laid off (and with an uncertain future after that) opted for a generous package of work sharing and early retirement.

The more militant among the unions rejected the deal because they said it funded job cuts at Fiat without any clear future industrial strategy.

The deal is based round four points: early retirement for 6,600 workers and staff; "solidarity contracts" covering some 3,500 jobs and affecting 8.700 people, involving a shorter working week, salary cuts and job sharing; government subsidised retraining and job hunting for 2,200; and the commitment to spend up to L450bn (£182m) on the development of a clean car.

According to the latest estimates of the labour ministry, the agreement will cost some L310bn more than the original package of job pruning measures proposed by Fiat last November. Of this L220bn will cover early retirement, split jointly between the government and Fiat. A further L90bn covers the solidarity contracts over the next three years.

The funds earmarked for the development of a clean car include over L300bn for an electric car. These funds were already in the ministry of science budget.

Put together the overall cost of achieving labour peace at Fiat and allowing the Turin-based group the means to fight the recession in the automotive business over the next three years comes close L900bn.

This figure also excludes the cost to the social security budget of 4,100 persons to be covered by temporary lay-offs until 1996.

With unemployment still rising it is extremely doubtful whether the next government can afford to be so generous in offsetting job losses. Over the weekend, Prof Mario Monti, one Italy's leading economists, was highly critical of the Fiat package.

Bank of Italy warns on budget deficit

By Robert Graham

The Bank of Italy yesterday warned of a growing budget deficit in 1994, thanks to a deeper than expected economic recession and administrative delays in public spending cuts.

The warning was contained in the central bank's half yearly economic report, which was cautious on the possibility of an early recovery and predicted a further deterioration in unemployment.

The report's publication yesterday coincided with the opening of the campaign for the March 27 general elections and the announcement of the main parties' economic programmes.

As such, the report is a sober reminder of the limited economic policy options for the next government.

Behind guarded language, the central bank is attempting to hammer home the message that the reform of Italy's public accounts by the Amato and Ciampi governments is far from over. The implicit suggestion is that the next government will have to introduce a mid-year mini-budget.

Such a view flies in the face of the electoral propaganda of the Forza Italia movement of Mr Silvio Berlusconi the media magnate. Mr Berlusconi is promising to reduce fiscal pressure and preside over an early recovery for "a new Italian miracle".

The report says provisional figures for last year suggest that the economy recorded a negative growth of 0.7 per cent against the modest 0.9 per cent increase the previous year.

Record export growth only partially offset the severe drop in domestic demand.

For 1994, the bank says it is too early to judge whether the official growth target of 1.6 per cent can be achieved.

The report says the 1994 budget's aim of holding the public sector deficit to L144,000bn (£57.6bn), equivalent to 8.7 per cent of gross domestic product, will be hard to achieve.

"The 1994 financial objectives will be complicated by lower than expected growth in production, especially as a result of 1993, and by spending cuts having less effect than desired because of difficulties in introducing structural changes in a short time," it says.

Opposition accuses government of undermining minimum wage

French unemployment rise slows

Mr Michel Giraud: "clear deceleration"

By David Buchan in Paris

The rate of increase in France's record unemployment is slowing, but the politics of how it is ever to be reduced is hotting up, with the Socialist opposition and unions accusing the conservative Balladur government of undermining the minimum wage.

Insee, the official government statistics agency, said yesterday that the number of unemployed rose by 4,800 in January to 3.307m, leaving the overall jobless rate at 12.2 per cent.

Mr Michel Giraud, the labour minister, said this showed a "clear deceleration", because for the third successive month fewer than 5,000 people had joined the dole queue, compared to monthly increases of more than 30,000 in January-June 1993 and of more than 15,000 last autumn.

Mr Edouard Balladur, prime minister, yesterday reacted to the January job news in the tentative tone he always adopts in discussing this chief bugbear of his government.

His goal of reducing unemployment in 1995, when France elects a new president, "is perhaps not out of reach", he said.

Mr Balladur went on to complain of "false debates based on false information" that he was undercutting the country's so-called Smic minimum wage for young people. The row was sparked by last week's publication of decrees implementing Mr Giraud's new employment law.

This allows companies to pay workers under the age of 25 less than the Smic level, but generally requires them to spend the saving on training the young workers.

Despite a student union's call for a protest and the threat of a further row when the government and unions discuss employment on Thursday, Mr Giraud said he had no intention of changing the law voted by parliament last autumn. Nor, however, was Mr Giraud in favour of a specially low "youth wage" to price young workers into jobs.

This is in contrast to the more radical deregulatory views of the British conservative government whose employment minister, Mr David Hunt, will visit Mr Giraud in Paris this week.

● French national output in the last quarter of 1993 rose by 0.2 per cent over its level in July-September, Insee reported yesterday, showing an overall 0.7 per cent drop for 1993 in the French economy compared to 1992.

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NEWS: EUROPE

NEWS IN BRIEF

Four Hungarian state companies put up for sale

Hungary yesterday launched the country's Ft4bn (£25.8m) mass privatisation programme by announcing the first four public offerings in hotel chain Pannonia, plastics manufacturer Pannonplast, brewer Soproni Sorgyar and food retailer Global TH, writes Nicholas Denton in Budapest. A tranche of state shares in the national telecoms company, Matav, which remains after the $875m sale of 30 per cent to Deutsche Telekom of Germany and Ameritech of the US, will follow in the autumn.

Over several years Budapest expects to sell state shares in 70 companies worth a total of Ft120bn, including holdings in MVM, the electricity utility, and Mol, the national oil and gas company. The government aims to broaden share ownership beyond the foreign investors and state company managers who have dominated Hungary's four-year privatisation drive, though it plans to offer only minority tranches in companies already managed by an industrial investor.

While state sell-offs have helped Hungary attract a total of $7.1bn of foreign investment, and management buy-outs have become more common in the past year, public offerings have involved only about 25,000 retail investors out of a population of 10m. The privatisation authorities said that they expect to persuade hundreds of thousands of Hungarians to pay the token Ft2000 fee to join the small shareholder programme and buy up to Ft100,000 worth of shares on highly preferential terms.

Bundesbank changes repo rules

The Bundesbank yesterday called for variable-rate tenders in this week's round of securities repurchase agreements, after more than three months of fixed-rate deals at 6 per cent, writes Christopher Parkes in Frankfurt. Although surprised, analysts ruled out any substantial changes in the so-called repo rate, at which the central bank supplies short-term liquidity to the markets.

While observers agreed that the tender would probably result in lower rates, the extent of the decline would be marginal, and none expected any early change in the discount lending rate, reduced to 5.25 per cent in mid-February.

Millions of Romanians strike

Romania's two largest unions said some 2m workers participated in yesterday's general strike, in the biggest union action since the overthrow of communist rule in 1989, writes Virginia Marsh in Bucharest.

The strike, in protest at the lack of economic reform, hit hardest in the chemical, petrochemical, metal, transport and food industries, the unions said. Harbour workers closed the Danube port of Galati and also disrupted shipping at Constanta, the main Black Sea port, Radio Bucharest reported. Health and education were also seriously affected but roads and telecommunications werre unaffected.

EU aid for Portugal

Portugal is to receive Es4,450bn (£17m) in European Union aid over the next six years – more than twice as much as in the previous six years – according to an agreement signed yesterday, writes Peter Wise from Lisbon.

The aid, equivalent to about 3 per cent of Portugal's gross domestic product over the six years, will be made up of Es3,250bn in direct transfers from the EU and Es1,200bn in low-interest loans from the European Investment Bank. Most of the funds will be spent on transport infrastructure. Economists estimate the aid will mobilise total private and government investment of more than Es10,000bn up to 1999 and create 100,000 jobs.

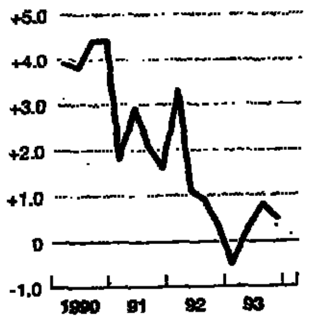
Hurd appeal on Macedonia

Britain's foreign secretary, Mr Douglas Hurd, yesterday urged Greece to lift its trade embargo against Macedonia and resume UN-sponsored talks in the dispute over the former Yugoslav republic's flag and constitution, writes Kerin Hope from Athens. Mr Hurd, in Athens for talks with Mr Carolos Papoulias, his Greek opposite number, said the embargo was illegal and unjustified and would destabilise Macedonia. He endorsed a Macedonian proposal to sign a treaty guaranteeing its frontier with Greece.

'Red-green' outlook in state

Two weeks before a state election in Lower Saxony, a poll by the German television station Sat 1 shows the Social Democratic Party (SPD) and the Bundnis 90/Greens would be able to form a so-called "red-green" coalition government, agencies report from Bonn. The SPD is currently supported by 47 per cent of the voters while the Bundnis 90/Greens are supported by 8 per cent. The Christian Democratic Union is currently polling 38 per cent of the vote. Nationwide, however, a poll shows a mild upswing in support for the CDU.

Dutch economy grows 0.3%



Source: Datastream

The Dutch economy grew a real 0.3 per cent in 1993, the narrowest expansion in 11 years, the government estimated. Nonetheless, the growth surpassed recent expectations of state and private economists of zero to 0.2 per cent expansion in GDP for last year and far exceeded the initial projections a year ago that the Dutch economy would contract by as much as 1.5 per cent in 1993. The economy grew 0.8 per cent in the third quarter from a year earlier and expanded 0.6 per cent from the second quarter. The contraction of the economy in the fourth quarter may lay the grounds for a possible lapse into recession early this year, should the first-quarter GDP also contract. Cold and wet winter weather this year compared with last year is likely to have undermined output in the key construction sector. The will publish definitive GDP data for the fourth quarter in April.

■ Eastern Germany's industrial output in December declined by 9.3 per cent from November but was up 11.2 per cent from the year. Eastern German data are not adjusted. November output was left unrevised at down 4.4 per cent.

■ Pushed by a surge in foreign trade, German plant and machinery orders rose a real 2 per cent in January from a year earlier, the VDMA industry group reported. Domestic orders dropped 8 per cent in January on the year, while foreign order surged 15 per cent.

■ Italy's retail sales index was down 0.6 per cent in October from a year earlier. The index covers sales from 10,000 outlets across the country. From January to October the index rose 3.1 per cent.

Yeltsin sacks head of domestic intelligence

Tit-for-tat expulsion of US diplomat reminiscent of Cold War, reports Leyla Boulton


Golushko: conscience clear

President Boris Yeltsin yesterday sacked the head of his domestic intelligence service, apparently over the bungled attempt to stop the amnesty of his enemies. He also presided over the first tit-for-tat expulsion of a US diplomat under his rule.

The dismissal of Mr Nikolai Golushko as head of the domestic counter-intelligence service, which only in December replaced the security ministry, is the latest in a series of changes to the domestic remains of the former KGB. He is likely to be succeeded by his deputy, Mr Sergei Stepashin, a young former MP seen as something of a liberal.

When the Soviet Union broke up, the KGB was split up into the security ministry and the external intelligence service. The latter, responsible for spying on foreign countries, has not been subject to the same upheavals as its domestic twin.

Yesterday, the External Intelligence Service's successful running of a mole in the CIA claimed its latest victim: the expulsion of a US diplomat from the Moscow embassy.

The Russian move, reminiscent of Cold War era tit-for-tat expulsions, followed the expulsion of a Russian diplomat from Washington after the arrest of Mr Aldrich Ames, accused of spying for the Soviet Union and then Russia.

Although no explanation was provided, the domestic intelligence chief's sacking appears to be linked to a separate domestic scandal over the amnesty granted by parliament to Mr Yeltsin's bitterest foes.

The men were freed despite instructions from Mr Yeltsin to Mr Golushko, Mr Victor Yerin, the interior minister, and Mr Alexei Kazannik, the prosecutor-general, to treat the amnesty as a case of the parliament exceeding its powers.

Mr Kazannik, who resigned at the weekend, said yesterday he had disagreed with the objections formulated by Mr Yuri Baturin, the president's national security adviser, that the parliament had granted a pardon, which it had no constitutional right to do, rather than an amnesty.

In further fallout from the debacle, Mr Kazannik, a once devoted Yeltsin supporter who criticised the amnesty and gave up his parliamentary seat for Mr Yeltsin in the late 1980s, hit back at attacks from the presidential entourage for alleged haste in freeing the leaders of the October coup.

He said his conscience was clear and criticised "those who would want to use the law as a doormat".

Moldova vote good for peace, bad for economy

By Jill Barshay in Kishinev

Moldova's former communist establishment took a huge lead over both nationalists and market reformers in the war-torn country's first parliamentary elections on Sunday, according to preliminary results.

The vote suggests Moldovans have rejected the old nationalist aspiration to reunite their former Soviet republic with neighbouring Romania and want to make peace with their Russian-occupied breakaway region of Trans-Dneister. With a third of votes counted by late yesterday, the Agrarian-Democratic Party had won 45 per cent of the vote and the pro-Russian socialist bloc 25 per cent. Counting is slow in a country of isolated villages and poor communications.

The Agrarian party favours repairing relations with Moscow and making concessions to the discontented Russian minority in Trans-Dneister, which boycotted the elections. Trans-Dneister, threatened by the hopes of Moldova's first independent government to merge with Romania, fought a breakaway war which claimed 500 lives in 1992.

A fragile peace has held since July 1992, largely through the presence of more than 7,000 Russian troops there.

But negotiations have stalled on a final political settlement to withdraw the Russian troops and grant the region a special autonomous status.

While the Agrarian victory may be good for peace, however, it may seriously damage the economy. The party, which is more agrarian than democratic, threatens to destroy a radical economic reform experiment launched last autumn when the government, an informal coalition of former communists and economic reformers,asked the west for help. Moldova agreed to introduce tight monetary policies and to cut inflation in return for financial support. Now, however, the national bank's fastidious monetary policies, among the most determined in eastern Europe, and a newly launched privatisation programme may be cast aside before the reforms have a chance to take hold.

The prime minister, Mr Andrei Sangheli, who ran on the Agrarian ticket, approved the reform deal, but observers say he is not ideologically committed to it. "There will be credit expansion and price increases," said a reformist economist, Mr Anatoly Gudim. "It's inescapable."

This spring will test the Agrarian party. To keep monetary policy in check it will need to withstand pressure from the farm sector, which it represents, to issue a wave of credits for planting crops. Issuing those credits would risk losing more than $200m in International Monetary Fund and World Bank loans. But forgoing spring planting would be unthinkable. Agriculture accounts for some two-thirds of the economy.

The national bank governor, Mr Leonid Talmaci, who is technically subordinate to the parliament, has said he is "ready to resign" if parliament orders an expansion in the money supply. "Reducing inflation is my most important task. I will not degrade our new currency," he said.

The privatisation ministry, headed by Mr Vissarion Cheshuev, is under fire, too, and he expects to be thrown out of office. The Agrarians have denounced as illegal his plan to auction off a third of state property by the end of the year and are calling for a complete review of the programme.

NEWS: WORLD TRADE

Malaysia sees trebling of telecoms in six years

By Andrew Adonis in Hong Kong

The Malaysian government wants to more than treble the size of its telephone network in the next six years, and is anxious for western telecoms companies to help, the country's telecommunications minister said yesterday.

Mr Samy Vellu told an FT conference on Asia-Pacific telecommunications in Hong Kong that Malaysia planned to increase its number of phone subscribers from 2.3m to 7.8m by 2000 as "a core aspect of our infrastructure modernisation".

It looked to western operators and equipment suppliers to play an "active role". Mr Vellu made no reference to the Malaysian government's ban on state contracts going to UK companies.

Cable & Wireless, the UK telecommunications group with a majority share in Hong Kong Telecom, is keen to invest in Malaysia. It has been in talks with Binariang, a private Malaysian company which recently gained a digital cellular telephony licence and is believed to be seeking a western strategic partner with which to build its network.

Mr Joseph Farina, president of network systems for Nynex, the US regional Bell operator which has invested in Thailand, said Nynex's joint venture with local partners to build 2m new lines for the Bangkok area was "an attractive model" for other partnership projects in the region, notably in China. Nynex is one of several US operators investing in the region's countries with emerging markets.

Mr Farina contrasted the equivalence in the number of phones and television sets per head in the US – about 1.2 – with the position in Asia. Vietnam has 26 people per TV but 435 people per telephone. "That is an important validation for us of the likely boom in the Asian telecoms market," he said.

Mr Andrew Harrington, Asia telecoms analyst with Salomon Brothers in Hong Kong, predicted that the market capitalisation of listed telecoms companies in the region would increase from about $85bn to $150bn over the next four years, with the number of listed companies rising from about 20 to 50.

Mr Alex Arena, Hong Kong's telecommunications regulator, said the Hong Kong government's aim was to make the colony a "telecommunications hub" for the region by pursuing strong pro-competition policies. Hong Kong Telecom's monopoly in domestic traffic is to expire next year. Three companies have been licensed to enter the market.

The Australian government is pursuing still stronger competition policies, giving all city residents the chance to vote to change telephone company in municipal ballots. Mr Robin Davey, Australian telecommunications regulator, said more than 50 per cent of residents had voted.

Hungary awards telecoms deals

By Nicholas Denton in Budapest

Alcatel, Compagnie Générale des Eaux, US Telecom East and other foreign telecom providers are among the winners of eastern Europe's first tender to operate local telephone services, Hungary announced yesterday.

The telecommunications ministry said the auction of the eight-year exclusive local concessions had raised Ft8.2bn ($80m). Foreign-led consortia won in 15 of Hungary's 54 telephone districts, committing themselves to invest Ft20bn in the first three years alone.

Bidders committed themselves to increasing line density by 15.5 per cent a year and promised that by 1997 users would not have to wait more than a year for a line.

CGE, the French public utility group, paid the highest single fee, of Ft1.3bn, for the rights to Szeged, the largest city in south-eastern Hungary, and won one other district.

United Telecom Services – a partnership of French telecoms equipment maker Alcatel and US Telecom East, a local telecommunications operator based in the US – was the winner in four areas. Central Euro Telecom and Hungarian Telephone & Cable Corporation, both US-led consortia, won two districts each.

The capital, Budapest, and 38 other districts are retained by Matav, the national telecommunications operator, in which Deutsche Telekom of Germany and Ameritech of the US took a stake of 30 per cent for $875m in December.

The tender is an element of Hungary's relatively liberal line in telecoms policy. Allowing separate local and national providers of telephone services, the pattern in the US, is unusual in western Europe.

The telecommunications ministry also said it would be prepared to grant licences for local telephone operators to provide cable television services in parallel. Hungary would be one of few countries where the barrier between telecommunications and television has been breached.

Posco wins Korean phone licence

By John Burton in Seoul

Pohang Iron and Steel (Posco) yesterday was selected to lead a consortium to operate South Korea's second mobile telephone network. But the decision is unlikely to end the controversy marring the project since it was announced four years ago.

Posco competed against Kolon, a textile group, for the lucrative licence, which was awarded by the Federation of Korean Industries (FKI), the country's main business organisation, on behalf of the government.

Posco's leadership of the consortium is likely to raise questions about the government's commitment to privatise the telecommunications industry since the steelmaker's largest shareholder is the state.

The FKI explained that Posco had offered better technology and had stronger capital resources than Kolon. It is one of the world's most profitable steel companies.

Posco will take a 15 per cent stake in the consortium, followed by Kolon with 14 per cent. Half of the consortium's shareholding will be distributed among hundreds of domestic companies.

Mannesmann of Germany and Pactel of the US had backed Posco, while British Telecom and Nynex of the US had supported Kolon.

Foreign companies have been promised a 20 per cent stake in the venture but they must submit new bids, with those willing to transfer the most advanced technology being favoured.

Three or four foreign telecommunications operators are expected to be selected by the FKI after consultations with Posco. Other bidders may include Vodafone of the UK, Hutchison Telecom of Hong Kong, and GTE of the US.

Foreign companies bidding for a share in the consortium have privately complained that the FKI selection has been governed by backroom dealing among the domestic participants. "This could emerge as a major trade issue," said one US official in Seoul.

Wood row goes against Gatt grain

Michiyo Nakamoto on US pressure on Japan to cut tariffs on timber imports

When the Ohashis, a family living in Yokohama, built their house, they chose to use an American-style structure and imported wood from Washington state.

"We really liked the design – it's warm in the winter, cool in the summer and keeps the moisture out," the Ohashis say.

They are among a growing number of Japanese who are choosing North American lumber for their homes rather than the traditional cedar found throughout Japan's mountainous landscape.

The trend has helped to fuel a bustling trade in wood products imported into Japan not only from the American continent but from as far off as Finland and Sweden.

This trade in wood products has become the focus of a row between the US and Japan that has cast a shadow over the Uruguay Round of trade liberalisation talks under the General Agreement on Tariffs and Trade.

The US is unhappy with an offer by Japan to reduce tariffs on wood products that was made last year to conclude the Uruguay Round talks.

The Japanese offer was to reduce tariffs by 51 per cent on a trade-weighted average and on certain products by 33 per cent in accordance with a separate US-Japan agreement in 1990. It was accepted last year by the US and other countries.

Since then, however, the US has called on Japan to eliminate tariffs on wood products altogether. This has upset Japanese officials. "We don't want to re-open negotiations, we don't want to unravel the package," one Japanese official said.

On Friday Japan duly submitted its tariff schedules to Gatt on the lines of the offer made during the Uruguay Round negotiations.

However, pressure on Japan to reduce its tariffs on wood products further is unlikely to be eased.

In a recent newspaper advertisement, the American Forest and Paper Association noted that, were the Japanese government to remove its tariffs on imported wood, it would improve the lifestyle of the people, stimulate the economy and take leadership on the international stage of trade.

The association noted that by some estimates, if tariffs were removed, the cost of constructing a wooden house in Japan would fall by about 20 per cent.

It is an argument that is likely to find widespread support among the Japanese public, frustrated at being charged several times more for a house than would be the case in most other countries.

The bureaucrats and industry officials who consider US demands unreasonable argue that there are sound reasons for not giving in.

The first is that the Japanese wood industry could be driven to annihilation if tariffs are removed entirely. The industry has already been damaged by the flood of imports which now dominate the market.

In the early 1960s, the Japanese government, faced with a construction boom and a shortage of domestic wood supplies, decided to encourage imports by reducing tariffs.

Since then, the share of foreign wood products has surged to 75 per cent of the Japanese market, of which US wood comprises 28 per cent. Together with Canadian wood, the 38 per cent market share of North American products far exceeds that of domestic supplies. The value of imports has doubled from $5.36bn in 1986 to $10.89bn in 1992.

"Our campaign for the greater use of wood has benefited foreign wood products more than domestic ones," says Mr Motohiko Wako, vice-president of the All Japan Federation of Lumber Associations.

Mr Wako explains that North American wood has become popular in Japan because of lower prices and reliable quality.

Mass plantations reduce costs while the yen's rise has contributed to the competitiveness of foreign products.

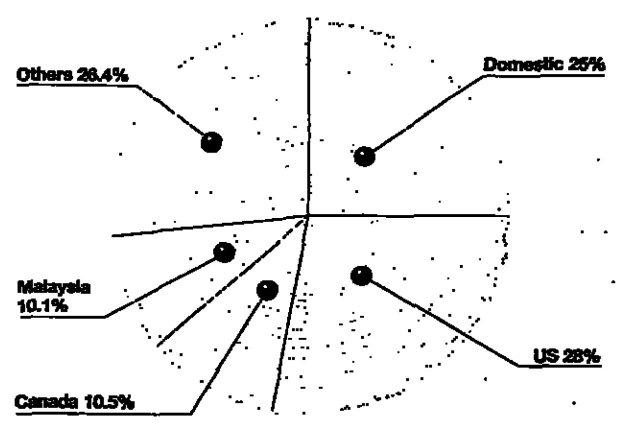
North American wood is also uniform in quality and distribution is efficient, so that it is possible for buyers to order wood from the west coast by phone without seeing the product. Japanese wood varies significantly in quality, so that buyers are required to go to a lumber market to check on quality, Mr Wako says.

A second argument is that because of environmental movements in the US and elsewhere, Japan cannot rely on imports to supply its huge appetite for wood products.

The US already imposes export restrictions on its wood and the Clinton administration has announced a policy to limit logging to protect the environment. As a result North American lumber prices have doubled since 1992.

Japan also has its environment to think about when considering how far it can reduce tariffs. The plantation of trees prevents landslides in Japan's mountainous terrain, ensures clean water and helps prevent global warming, Mr Wako says.

Japan: wood supply 1991



Source: All Japan Federation of Lumber Associations

BRITTAN TELLS CHINA NOT TO HIT UK COMPANIES

Sir Leon Brittan, European Commissioner for external relations and trade, warned China yesterday not to punish British companies in retaliation for a row over Hong Kong, saying such action against any member of the European Union was unacceptable, Reuter reports from Beijing. Sir Leon is shown above speaking at a press conference in Beijing with Ms Wu Yi, China's minister of foreign trade, yesterday.

Sir Leon, holding talks on subjects including Beijing's bid to re-enter Gatt, said non-discrimination was the basis of EU trade policy.

Warning by Miti to US over retaliation via Gatt

By Michiyo Nakamoto in Tokyo

A high-ranking Japanese trade official yesterday warned that, if the US were to impose sanctions against Japan and its action were found to be in breach of Gatt rules, Japan could retaliate against the US.

The US has already announced its decision to impose sanctions against Japan over a dispute regarding Japan's opening of its mobile phones market. There are also moves in the US to reinstate the Super 301 US trade act clause, which gives Washington the right to impose sanctions against unfair trade practices.

However, Mr Yoshihiro Sakamoto, director-general of the industrial trade policy bureau at the ministry of international trade and industry, admitted that the yen's appreciation, which has hurt Japan's exporters and dampened its near-term recovery prospects, has its benefits for Japanese industry too.

He said that, while the yen's rapid appreciation has had a negative impact on the Japanese economy, in the long run the currency realignment would help change Japan's industrial structure by forcing a general restructuring.

"I believe that, over a long time span, the higher yen will have an impact on the competitiveness of Japanese goods and services and that, as a result, Japan's industrial structure will change over time," Mr Sakamoto said. "As a result, the export-oriented industrial structure will gradually change as the yen's appreciation forces uncompetitive industries to move production overseas."

The Japanese government needed to do more to encourage this change in industrial structure, by promoting greater inward investment.

The government has targeted four main areas where it will work to change Japan's export-oriented industrial structure, help increase imports and thereby benefit consumers as well as reduce the country's huge trade surplus, a target of international criticism.

The areas are: deregulation to help increase imports and foreign investment, improvement of government procurement procedures, new measures to increase imports and foreign investment, and improvements in competition policy.

#Sultan

Fed is fighting its corner

Bentsen may modify bank proposals

By George Graham in Washington

Plans to consolidate the multi-layered US bank regulation system will face a crucial test this morning when Mr Lloyd Bentsen, Treasury secretary, presents the administration's proposals to the Senate banking committee.

Three months after he outlined plans to draw the four federal bank regulatory agencies into a single federal banking commission, Mr Bentsen is expected to offer some flexibility in order to meet the complaints of the Federal Reserve Board, which is fighting to preserve its regulatory authority.

But the Treasury and the Fed have not yet reached a deal, and the Fed has won considerable support from an array of bankers and state banking supervisors who fear the concentration of too much regulatory power in a single agency.

At the moment, the Fed oversees bank holding companies, foreign banks, and state chartered banks which belong to the Federal Reserve system. Other state banks are monitored at the federal level by the Federal Deposit Insurance Corporation, which runs the fund guaranteeing depositors in the event of failure.

The separate category of nationally chartered banks comes under the Office of the Comptroller of the Currency, while savings and loan institutions are overseen by the Office of Thrift Supervision.

The Fed argues that its ability to keep in close touch with the financial system and prevent banking catastrophes would be diminished if it were reduced to an observer's role in bank supervision, although some banking observers point out that well respected central banks like the German Bundesbank have no regulatory role at all.

To general surprise, bank reform legislation is now widely expected to pass Congress this session. It is likely, however, to concentrate on measures allowing banks to open branches outside their home states, not on regulatory consolidation.

An interstate banking bill passed the Senate banking committee last month by a unanimous vote after Senator Christopher Dodd of Connecticut, who has held up similar legislation for years by linking it to restrictions on banks' ability to sell insurance, abandoned his opposition.

The House banking committee, whose influential financial institutions subcommittee has already passed similar legislation, is expected to take up the inter-state banking bill next week.

Brazil unveils details of plan for *real* currency

By Angus Foster in São Paulo

Brazil yesterday unveiled details of its plan to replace the currency, the cruzeiro real, which is plagued by annual inflation of about 2,500 per cent.

This is part of an overall economic restructuring programme for Brazil, the only large South American economy still grappling with near hyperinflation.

A new accounting unit, the URV (real unit of value), is to come into effect today. Its value will be fixed at $1 (67 pence) but its cruzeiro equivalent will be increased daily to reflect inflation of the local currency. Salaries must be denominated in URVs, with immediate effect. The government hopes the private sector will switch other prices and contracts voluntarily.

Once the URV has gone into widespread use, probably not before May, the cruzeiro is to be abolished. A new currency called the *real*, fixed at parity to the URV, is to take its place. The government chose this complicated two-step process to let contracts be adjusted to the new accounting unit and avoid legal challenges.

Mr Winston Fritsch, economic policy secretary, described the URV as an "economic lobotomy", designed to remove Brazilians' memory and expectation of inflation.

The country's profligate governments, federal and state, have been forced to issue short-term securities at very high interest rates to finance their budget deficits. This has fuelled inflation. Partly as a result, the economy has become highly indexed, with prices often adjusted several times each month to reflect past inflation.

The government hopes that, by linking all contracts and prices to the URV, prices will continue to increase in cruzeiro terms but will be stable in URV and dollar terms. Once people realise the URV is stable, expectations of inflation will wither. "Only when we move to the *real* will the fall in inflation be rapid," according to Mr Fernando Henrique Cardoso, finance minister.

Most economists agree the plan works, in theory, and that it was correct to tackle the budget deficit first. The government finished negotiating the budget with Congress last week and can now claim it has closed a projected deficit of about 5 per cent of GDP.

Even so, the economic programme still faces many problems, especially political pressures to increase spending before the presidential and congressional elections in October. Also, the compulsory conversion of salaries into URVs may be unpopular, especially since the government had promised conversion would be voluntary.

Peru telecoms go to Spanish bidder

By Sally Bowen in Lima

A consortium headed by Telefónica de España yesterday became the new owner of the Peruvian telecommunications systems.

The $2bn (£1.34bn) bid by the consortium it led had surpassed the most optimistic expectations, easily outbidding groups headed by GTE and South Western Bell/Korea Telecom, which offered $803m and $857m respectively.

The sale expands the role of Telefónica de España in the expanding Latin American telecommunications market. It already has big stakes in Venezuela, Argentina and Chile.

Hundreds packed the auditorium of Lima's National Museum yesterday for the opening of the bids in Peru's largest privatisation so far.

The sale was considered a success and should boost forthcoming privatisations. It was run by UK-based Morgan Grenfell, with Coopers & Lybrand as management consultants.

The winning consortium has three Peruvian partners with 5 per cent apiece – the Wiese Bank, construction company Grana y Montero, and brewer Backus and Johnston.

Telefónica Perú, as the new operator will call itself, acquires 35 per cent of Lima's telephone company, CPT, after capital increases in the original 20 per cent state holding. The remaining shares are held privately and are actively traded on the Lima stock exchange.

Also, Telefónica wins a 35 per cent controlling interest in Entel, the Peruvian state provincial and long-distance monopoly. The new owner will continue to enjoy monopoly on the long-distance service for the next five years.

It is expected that Telefónica will have to invest $1bn-$1.5bn over the next five years to meet the sale conditions, which call for a virtual trebling of Peru's 630,000 lines. The company will also have to ensure that every Peruvian town of more than 500 inhabitants has a telephone service.

Major and Clinton mend their fences

Philip Stephens on the British premier's visit to Pittsburgh

President Bill Clinton and British Prime Minister John Major yesterday staged an elaborate and self-consciously public reconciliation to repair the damage done to Anglo-American relations by recent disputes over Bosnia and Northern Ireland.

As he prepared to meet Mr Clinton in Pittsburgh for a series of carefully choreographed photo-opportunities, Mr Major said that past difficulties had been "substantially put behind us".

The Pittsburgh encounter – chosen because Mr Major's grandfather and father had once lived there – followed intense talks between Mr Major and senior administration and congressional figures on Bosnia, Russia and British policy in Northern Ireland.

US officials said the two leaders' informal talks in a Pittsburgh restaurant and during a visit to a new development on the site of an old industrial complex in which Mr Major's grandfather might once have worked were a clear signal that Washington still saw Britain as a reliable ally.

Mr Major's aides, clearly anxious to show the special relationship was alive and well, went to elaborate lengths to point up the generous amount of time Mr Clinton had allocated to the visiting prime minister. Mr Major was due to return to Washington late last night to stay with the Clintons at the White House.

For his part Mr Major offered unequivocal support for the action of US aircraft in Bosnia which shot down Serbian aircraft violating the United Nations no-fly zone over the former Yugoslav province.

After talks with Vice-President Al Gore and Mr Warren Christopher, secretary of state, Mr Major said US action had been fully justified: "I think it does illustrate that UN resolutions cannot be ignored with impunity. That might be a very useful lesson for the future."

Implicitly acknowledging the recent differences between London and Washington over Bosnia, Mr Major added there was now full agreement on a twin-track approach.

Praising the US for its efforts to broker a deal between the Bosnian Moslems and Croatia, he said the search for a political settlement would go on in parallel with efforts to extend the US's recent success in lifting the siege of Sarajevo. Meanwhile, London and Washington would work jointly at the UN to return Sarejevo to civilian administration.


From left, CIA director James Woolsey, secretary of state Warren Christopher and defence secretary William Perry meet John Major at the British embassy in Washington yesterday Reuter

Mr Major, who insisted that reports of a breach between the two governments had been "wildly overdone", also made it clear that he expected no real dispute over Britain's approach to Northern Ireland. Questioned on British anger over Mr Clinton's decision to allow Mr Gerry Adams, Sinn Féin leader, into the US had not soured the atmosphere: "That's gone. That's behind us." He now expected Washington to back Anglo-Irish attempts at political settlement.

British officials said Mr Major had won the support of both Mr Christopher and Mr Gore for a policy of continuing to back Russian President Boris Yeltsin despite the threat to his position caused by the release of the leaders of last year's attempted coup.

Doubt over prospects for peace in Mexico

By Damian Fraser in Mexico City

The Mexican government and Zapatista rebels have entered their second week of talks to end the two-month peasant uprising in the southern state of Chiapas, amid conflicting reports on how close they are to a provisional agreement.

Bishop Samuel Ruiz, the mediator, said a peace declaration was "already drawn up and agreed in fundamental terms". He said a draft accord could be ready by tomorrow, after which rebels would return to their villages and consult their supporters.

However, Sub-commandant Marcos, the rebel spokesman, said there was still no agreement on crucial issues, such as self-rule for indigenous peoples, national electoral reforms and changes to the constitution that would permit permanent re-distribution of land.

Part of the difference between him and the bishop may be due to the weight given to any preliminary accord. The rebels have insisted that accords are only "mountains of paper" and that there can no peace until government promises are fulfilled.

Japan reviews defence policy

By William Dawkins in Tokyo

The Japanese government yesterday opened the first review of defence policy for nearly 20 years.

A nine-member panel of businessmen, academics and civil servants, named by Prime Minister Morihiro Hosokawa, held its first meeting and is to report by the summer on Japan's changing defence needs.

It will have to strike a balance between pressure for defence cuts and fears of weaker US commitment to Japan's security when regional stability is at risk.

"As the world has changed dramatically after the collapse of the Cold War structure, our handling of defence and security must change as well," Mr Hosokawa told the panel yesterday.

Any change in defence policy is politically sensitive. Only three months ago, Mr Keisuke Nakanishi, director-general of the defence agency (the Japanese equivalent of defence minister), resigned after suggesting Japan's pacifist constitution be revised to let its soldiers take a combat role under United Nations command.

Japan's military, at 246,000 personnel, is already small by the standards of its regional neighbours – less than half the size of that of South Korea. Defence spending per head is smaller than Italy's.

This is a consequence of Japan's post-war pacifism and reliance on 24,000 US troops, 190 aircraft, and the 60 vessels of the US Seventh Fleet stationed in and around Japan.

The government has started to squeeze the defence budget, after more than a decade of above-average increases. It will rise this year by only 0.8 per cent, the smallest increase for 34 years. The Japanese military is also planning to reduce the number of army bases by 40 per cent from 1996.

The right wing of the government coalition believes the personnel reduction should be accompanied by more spending on electronic defence, such as the two advanced airborne warning and control systems aircraft and the upgraded computers for Patriot missiles included in this year's budget.

On the other side of the debate, the Social Democratic party, largest member of the coalition, is in theory committed to unarmed neutrality, but is content simply to see a continued squeeze on defence spending.

Housing boost fails to lift economy

Japan's industrial economy continues to bump along the bottom of a recession, but government efforts to boost private housing have begun to lift household spending, William Dawkins writes.

That is the message from Japan's latest mixed bag of statistics yesterday, indicating clear signs of recovery have yet to emerge.

Industrial production fell 3.1 per cent in January, against the equivalent month in 1993, setting a new record of 28 months of year-on-year declines, the ministry of international trade and industry said. But output recovered 0.9 per cent from December's level, a slight rebound from the previous month's 1.9 per cent decline. Industrial production represents just under a third of economic activity in Japan.

Despite the industrial gloom, strong growth continued in low-cost housing, helped by subsidised government loans and low prices. Housing starts rose 20.7 per cent in January, from a year earlier, the 20th month of year-on-year increases, the construction ministry said.

Legacy of apartheid may bless its creator

Patti Waldmeir tries to fathom why some blacks may vote for the National party

President F.W. de Klerk is driven out of coloured townships by stones and bullets; constitution minister Roelf Meyer has goat's bile poured over his head in an African ritual – all part of the National party's quest to persuade the victims of apartheid, South Africa's non-white voters, to support their erstwhile oppressors in all-race elections in April.

However immoral or impossible this may seem to outsiders, South African politicians know that it is a real prospect. The NP seems assured of significant support in coloured and Indian communities; and even among black Africans, it could partly contain the expected landslide for the African National Congress.

The party's biggest campaign handicap – apartheid – could yet prove its greatest strength. For apartheid set out to divide South Africa by race and tribe, and to breed in blacks a sense of inferiority which fosters subservience; and it is exactly that legacy of racism, ethnicity and dependency which seems to motivate non-whites to vote NP.

Most coloured voters say they will vote NP because they "do not like blacks"; black NP supporters cite tribalism as a reason for opposing the ANC, which they claim is dominated by the Xhosa tribe; both say they do not believe blacks are capable of running a sophisticated economy.

Even in modern, urban, ethnically-mixed Soweto, the National party can tap a deep vein of tribalism and inverted racism. Mr David Chuenyane, the NP's chief black organiser, relies heavily on ethnic scare stories, such as his claim that ANC officials in the civil service are sacking any public servant who is not a Xhosa (even though there are no ANC officials in top positions yet and no such sackings have been reported).

He doubts the ability of blacks to run the South African economy: "The whites are the brains behind the economy," he says, noting that "the blacks did provide the labour". He fears affirmative action because "I have seen in the African states what it has done", saying blacks are not used to handling large sums of money and implying that corruption will be the inevitable result.

Mr Chuenyane candidly admits that his relationship with the NP is opportunistic: "I saw an opportunity in the NP and I said: the NP is stranded, they need somebody black." And anyway, he adds, when he returned from decades in exile with the black-supremacist Pan Africanist Congress, there were no good positions going in the ANC. So, he is asked, you sold yourself to the highest bidder? "It *does* look like that," he says, with hardly a hint of embarrassment.

Mr Chuenyane is almost certain to be elected as a member of parliament, given that he is seventh on the NP's election list for the region around Johannesburg. But his evident opportunism – and the shady personal history of some other black NP candidates, including two notorious "warlords" from the western Cape – does little to inspire confidence among the electorate.

President F W de Klerk campaigns in sunny mood Reuter

This may matter little. Blacks are not so much voting *for* the NP as *against* the ANC. This is clear from the numerous hangers-on at the party's unmarked Soweto offices (on the floor above the ANC office).

Asked why blacks should vote NP, Rocks Mseleku, a young NP organiser, tries a number of replies: "People join for the love of the party"; "because the party is open to blacks"; "because they have changed their logo".

He denies receiving payment as an organiser. But all organisers are paid, he is told. "I don't take it like that," he says, adding that he receives R2,000 (£386) a month, twice his previous salary, as "compensation".

Apart from paid officials, it is hard to find anyone in Soweto who admits supporting the NP. Mr Chuenyane insists that public meetings are held almost every weekend and house-to-house canvassing is constant. But when Soweto NP information officer Vronda Banda takes a group of journalists out canvassing, he goes only to the home of his parents, and to his friend Rocks Mashinini, who refuses to shake his hand, and says his life is endangered by the visit.

"The NP is the party of the oppressor, it's the party that *tortured* you," says Mr Mashinini, who like Mr Banda was once a member of the ANC's armed wing, *Umkhonto we Sizwe* (Spear of the Nation).

So far the party's attempts to create a new non-racial identity have elicited either outrage or humour. When the long-suffering Mr Meyer went to Soweto the weekend before last to be "introduced to the ancestors" it was hard not to laugh.

Comments Weekly Mail columnist Bafana Khumalo: "Oh, it's tough being a New Age Nationalist. To make it big these days you have to humour the natives, whether it's shouting 'viva' at their meetings or listening to them when they start their African gobbledegook."

But it is the NP that could laugh last. Mr Chuenyane says 5 per cent would be a good showing in Soweto (where there are perhaps 1.5m voters); opinion polls show 1 per cent black support nationwide, but political intimidation may render them unreliable.

The NP says it is aiming at nurses, teachers, civil servants, professionals – people with mortgages and a fear of victimisation. But it seems certain that much NP support will come instead from the less educated, older, more traditional residents such as Godfrey Mthembu, NP Soweto organiser: "I know I can never be over the white man. I know I need him. If I break my leg, without his medicine I'm crippled for life."

That was, after all, the message of apartheid. Indeed, South Africa's first all-race poll may serve to reveal, through the support the NP gets among blacks, just how successful apartheid was.

HK bank system comes under fire

By Simon Holberton in Hong Kong

Hong Kong's Consumer Council yesterday made a stinging attack on the colony's banking system, calling for deregulation of interest rates and more financial disclosure from the banks.

The council estimated profits earned by the colony's banking cartel through restrictive practices had grown to 0.8 per cent of Hong Kong's GDP gross domestic product in 1991 from 0.3 per cent in 1985, or to HK$5.2bn (£452m) from HK$1.2bn.

Since 1964, interest rates for small deposits in Hong Kong have been subject to an agreement between banks. Banks were also allowed to understate or overstate their actual profits by making secret transfers (or withdrawals) of profits to (or from) "inner reserves".

The council said it could find no argument to support the old rationale in favour of the cartel, that the interest rate agreement prevented cut-throat competition. "The banking sector is now more stable and is subject to vigilant supervision of the Hong Kong Monetary Authority." it said.

The council said Agreement covering interest rates on deposits below $HK500,000 should be phased out by 1997; by 1996 banks' annual and interim results should be published on a fully disclosed basis. At present, only HSBC Holdings, parent of Hongkong and Shanghai Bank, and Hang Seng Bank, a HSBC listed subsidiary, produce fully-disclosed financial results. The HSBC group of banks reported annual results yesterday.

Since Governor Chris Patten arrived in Hong Kong in 1992 the colonial government has stressed competition in its economic policy. The main author of the report, Prof Edward Chen of Hong Kong University, sits on Mr Patten's executive council.

See Hongkong and Shanghai results; Editorial comment

Malaysia steps up curbs on Britain

By Kieran Cooke in Kuala Lumpur

Malaysia stepped up its action against British business yesterday with the announcement that certain groups of Malaysian students would not now be sent to Britain.

Many thousands of Malaysians study at British universities and colleges.

The Malaysian Trust Council, a government-backed agency, said that about 1,000 students it had intended sending to Britain would now go elsewhere.

The council would terminate a contract with a British company which places Malaysian students in British universities, it added.

Last Friday, Malaysia announced a ban on giving government contracts to British companies in retaliation for reports in the British media alleging that senior Malaysian officials had taken payments from British companies which had been seeking contracts in Malaysia.

Mr Sulaiman Daud, Malaysian education minister, said Malaysian colleges should end twinning arrangements with British educational institutions.

"Private colleges which do not comply will be risking their business," Mr Sulaiman added.

Concern has been expressed by British companies that virtually all contracts in Malaysia, whether public or private ones, would be affected by the ban.

Mrs Rafidah Aziz, Malaysian minister for trade and industry, said yesterday that the move against British companies should not be viewed in any way as a trade barrier or sanction.

"The notion that Malaysia had imposed trade sanctions against Britain is not true at all," the trade and industry minister declared.

"It's merely centred on not entertaining tenders from British firms."

Rao government goes for gamble on growth

Budget runs inflation risk, writes Stefan Wagstyl

The government of Mr P V Narasimha Rao, India's prime minister, yesterday declared its intention to gamble on growth. In his budget speech, Mr Manmohan Singh, finance minister, signalled more strongly than before his belief that the economy is in good enough shape to run the risk of inflation and other problems which over-eager pursuit of growth might bring.

He acknowledged dangers lay along the path he had chosen. "(But) my considered view is that the risks involved in the course of action I have proposed do not cross the limits of prudence." The main element in Mr Singh's gamble is a decision to tolerate higher levels of public borrowing than would have seemed possible a year ago.

He disclosed that the fiscal deficit for the year to end-March will probably hit 7.3 per cent, far above the target of 4.7 per cent. For 1994-95, he set a target of 6 per cent, again indicating deficit reduction would be given only moderate, not absolute priority.

The first to speak publicly on these figures after Mr Singh had sat down were Mr Prannoy Roy and Mr T. Ninan, two national TV commentators, who both said public borrowing seemed to be "completely out of control".

Businessmen hailed the budget for tax and interest rate cuts and other measures to encourage growth (running at an estimated 3.8 per cent for the year to end-March). Mr Bansi Dhar, president of the Federation of Indian Chambers of Commerce and Industry, said: "The budget has all the ingredients to take India to the world's front-ranking nations".

Mr Singh said in his speech that borrowings had grown more than expected because revenues had fallen short of target mainly because industry was stagnant. Attempts to cut the deficit sharply "might well have been counter-productive".

The risks of running a large deficit were manageable because food stocks were high and industry had plenty of surplus capacity so the danger of increased inflation (now running at 8.5 per cent a year) was low.

The main reason why Mr Singh has been able to take this course is the country's external account performance. Because of incentives the government has given to foreign trade and investment since it embarked on reform in mid-1991, exports are soaring.

Foreign exchange reserves have leapt to a record $13bn (£8.8bn) from $1bn in mid-1991. India no longer feels the need to kow-tow to the International Monetary Fund, which granted emergency loans in 1991, on condition that public borrowings were cut.

Mr Singh yesterday announced that India would repay $1.4bn early to the IMF, a prudent economic move but also a potent political gesture. For foreign companies, the notable points of interest in the budget are the decision to make the rupee fully convertible on the current account, which should make non-trade transactions easier to process, and further reductions in customs duties, which should promote imports into India.

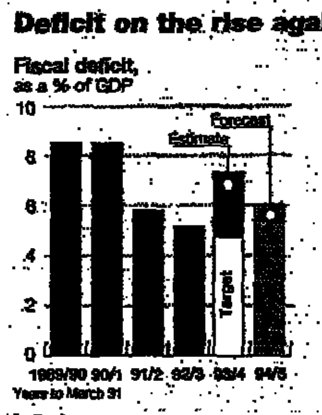
But the budget lacks bold deregulatory initiatives. No indication has been given of a willingness to reform labour laws to increase employers' powers to dismiss workers, often cited as a disincentive by potential investors in India.

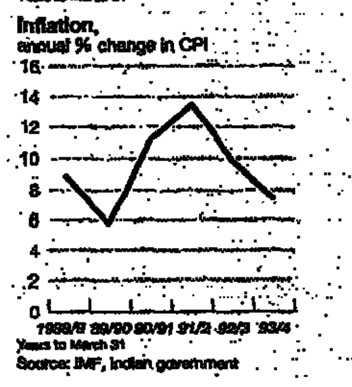
Main items in the budget:

- Maximum customs duty rates cut from 85 per cent to 65 per cent; plus reductions in specific categories designed to promote imports of parts and raw materials. Duties on steel to fall from 75-85 per cent to a maximum 50 per cent.
- Maximum corporate tax rate cut from 50 to 40 per cent, though a 15 per cent surcharge stays in place. Taxes on foreign companies operating in India cut from 65 to 55 per cent.
- An expenditure (sales) tax on hotels cut from 20 to 10 per cent to boost tourism.
- A wide-ranging overhaul of indirect taxes, including reducing exemptions and special cases so that hundreds of rules will be scrapped. Indirect taxes will be extended to services, notably 5 per cent levies on phone bills, non-life insurance premiums and stockbrokers' commissions.
- A further Rs57bn (£1.2bn) to help recapitalise state-owned banks; promises to increase spending on education, health, defence, technology and agriculture.

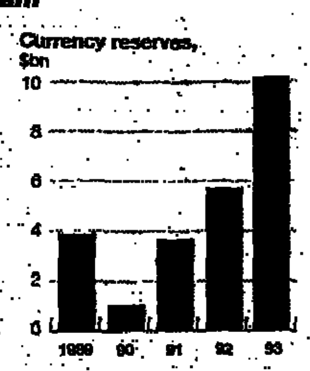
See World Stock markets

Deficit on the rise again





Source: IMF, Indian government



Indian finance minister Manmohan Singh

Hebron killings kindle anger of Israeli Arabs

David Horovitz on a threat to co-existence

Mohammed Abu Jamar, a 22-year-old bedouin Arab who worked as a waiter in a Tel Aviv restaurant, got married two weeks ago. Yesterday he was buried in his home town of Rahat, in the southern Negev, the first Israeli Arab to die in clashes with the police for almost 20 years.

So far, Abu Jamar is the only fatality in four days of running street battles between Israeli Arabs and police in the aftermath of Friday's Hebron mosque massacre. But dozens have been injured and dozens more arrested.

The Palestinian intifada – the spontaneous uprising against Israeli occupation that erupted in the Gaza Strip and West Bank more than six years ago – has spread across the international border and into Israel itself. And Israel's political leaders, calling crisis meetings with leading members of the Arab community and urging the police to use as much restraint as possible, can only hope that it will die down once time has begun to heal the Hebron wounds.

From the Knesset podium yesterday, Israel's Prime Minister Yitzhak Rabin appealed to the 800,000 strong Arab community – one fifth of the country's population – to remember their decades of peaceful co-existence with the Jews.

"You are part of us," he declared. "You've been with us for decades, through thick and thin. Loyal partners. We've managed to achieved co-existence and we want to maintain it."

But as Mr Rabin delivered his appeal, many of his target audience were otherwise engaged. For the fourth straight day, in towns and villages from Abu Jamar's Rahat in the south, to the Galilee in the north, hundreds of Arab youths were stoning policemen, and facing rubber bullets and tear gas in return.

In Nazareth, Israel's largest Arab town, windows were smashed on four Israeli buses. Egged, the national bus company, was told to divert its routes elsewhere.

In Jaffa, the Arab half of Tel Aviv where some of the worst rioting has been taking place, a police promise to release dozens of Arabs arrested in the past few days brought a measure of calm.

But in Rahat, before Abu Jamar's funeral, a group of bedouin protestors, waving Palestinian flags, chanted anthems familiar from the occupied territories: "With fire and blood we shall avenge the fallen. With fire and blood we shall redeem Palestine."

Up and down the country, local Arab leaders appealed to the police to clear out, to enable them to calm the inflamed populace. "There is a deep crisis in Arab-Jewish relations," said Nazareth teacher Ali Zaydan. "I don't know who can join them back together."

Many analysts have been ascribing the ferocious and unexpected outpouring of Arab rage to the increasing popularity of the Israeli Arab Islamic Movement, which professes to work peacefully for the advancement of Israeli Arabs, but is regarded with deep suspicion by most Israeli leaders.

Some Israeli Jews, though, have acknowledged a deeper cause: the discrimination still routinely suffered by Arab citizens, the minimal government funding for their local councils, the poorer education system, the higher unemployment rates.

If Israel wants to avoid its Arabs rioting again in the future, said Dr Alexander Blei, a former prime ministerial adviser on Arab affairs, "the government must introduce policies to bring full equality for Israeli Arabs".

But perhaps the most fundamental problem is that Israeli Arabs know that Jews, to a greater or lesser extent, still doubt their loyalty, still do not really regard them as "proper Israelis".

In an interview after the Israeli-PLO accord was signed at the White House last September, the Israeli Arab poet Samih al-Qasem spoke of how Israeli Arabs have felt in the past "as if we were a fifth column. A time bomb. A demographic danger." So the peace accord, he said, had come as a profound relief, a signal that Israeli Arabs could now "truly integrate". Sadly, it seems, he may have spoken too soon.

Commission to probe mosque murders

As Israel appointed a five-member commission to investigate Friday's massacre at Hebron's Cave of the Patriarchs, the Israeli army yesterday released an interim report acknowledging security failures, but rejecting Palestinian claims Israeli soldiers contributed to the death toll, David Horovitz reports.

The investigation found Dr Baruch Goldstein fired 111 bullets into the rows of kneeling worshippers. His Galil rifle was recovered, and all the shells collected inside the mosque were found to have been fired from it.

The interim investigation, carried out by the army's central command, established that five soldiers were on duty when Goldstein, a radical Jewish settler, slipped into the building. Four other soldiers supposed to have been on duty had over-slept.

Poor siting of closed-circuit TV cameras enabled Goldstein to make his way into the mosque, crowded with about 400 Moslem worshippers, without being seen.

On the basis of this finding, Israel's Prime Minister Yitzhak Rabin told the Knesset (parliament) yesterday that eye-witness claims of Israeli soldiers killing Palestinians inside the mosque were "nonsense".

The army estimated Goldstein sprayed bullets for 60-90 seconds. The senior officer on duty said he had tried to enter the mosque to intervene, but found one entrance blocked; when he reached a second, he was pushed back by fleeing Palestinians.

Murdoch in bid to reverse TV award

By Nikki Tait in Sydney

Australia's three main television networks, with Telecom and Mr Rupert Murdoch's News Corporation filed a court action seeking to overturn award of satellite licences to little-known players.

The two licences – "A" and "B" – were auctioned by the federal government last year, via a complex bidding process. To much surprise, the powerful consortium headed by Mr Rupert Murdoch, Mr Kerry Packer and Telecom lost out to a largely unknown accountant, Mr Albert Hadid.

Grants scheme administration is called 'deficient'

Another Keating minister quits

By Nikki Tait

Mr Paul Keating's Labor government yesterday suffered its third senior ministerial resignation in as many months, when Ms Ros Kelly, who held the sports, environment and territories portfolio, announced she was quitting.

Ms Kelly has been battling allegations she gave preference to marginal Labor electorates when administering a A$30m ($21.5m) sports and cultural grants scheme before last year's general election. She has maintained no impropriety occurred but has been unable to produce substantial evidence explaining how the grants were made.

Senator Graham Richardson will take over most of Ms Kelly's duties, while retaining his health portfolio. The government thus avoids another cabinet reshuffle. Mr Keating will resume responsibility for the "status of women".

A parliamentary committee yesterday described Ms Kelly's administration of the sports and cultural grants scheme as "deficient. The minister did not approach the minimum standard in relation to supporting her decisions with documented reasons," it said, but fell short of censuring her. Five opposition committee members issued a dissenting report, accusing the government members of shortening the inquiry.

The dissidents claimed: "It is beyond reasonable doubt that (the) programme has been used and refined as a part of the government's marginal-seat election strategy and that the grants were used to seek electoral advantage". They said the minister should be censured.

In December, Mr John Dawkins quit as treasurer, as did Mr Alan Griffiths, industry minister, in January.

Walvis Bay transferred to Namibia

South Africa and Namibia signed a treaty yesterday transferring ownership of the port enclave of Walvis Bay, ending what Namibian President Sam Nujoma called the final chapter of apartheid colonialism, Reuter reports from Walvis Bay, South Africa.

The treaty gives Namibia sovereignty over the enclave, which includes the only deep water harbour on its coast.

The Namibian flag will be raised over the 1,264 sq km Atlantic coast territory in a midnight ceremony. President Nujoma, said the transfer was long overdue.

Money supply figures raise recovery hopes

By Philip Coggan, Economics Correspondent

A sharp rise in the purchasing managers' index and newly published money supply figures point to the continuing health of the UK recovery after a raft of sluggish economic statistics in recent weeks.

The news should cheer Mr Kenneth Clarke, the chancellor, as he prepares for tomorrow's monthly monetary meeting with Mr Eddie George, governor of the Bank of England.

Figures released by the Bank yesterday show that M0, the narrowest measure of the money supply, grew by a seasonally adjusted 0.9 per cent in February, for an annual rate of 5.5 per cent, up from 5.3 per cent in January. The rise was ahead of market expectations.

This jump was partly caused by a sharp rise in the erratic component of M0, banks' deposits at the Bank of England. Notes and coins, the main component of M0, grew by a more modest 0.5 per cent in February (also seasonally adjusted), for a 12 month growth rate of 5.6 per cent, down from 5.7 per cent in January.

The government's monitoring range for M0 is 0 per cent to 4 per cent, but the measure has been outside this band for some time. M0's annualised rate of growth over the three months to February was 9.3 per cent. However, the government has argued that fast M0 growth has been caused by the fall in interest rates.

The opportunity cost of holding cash – instead of putting it in the bank and earning interest – has fallen and therefore people's willingness to hold cash has risen. In technical jargon, the velocity of money has fallen (it circulates less quickly).

Mr Simon Briscoe, UK economist at S.G. Warburg Securities, said that, adjusted for the Treasury's measure of velocity, M0 was within its monitoring range. Previous interest rate cuts occurred, he said, when M0 was within its adjusted monitoring range.

The Purchasing Managers Index, released today, indicates a significant increase of activity in February. The index, compiled by the Chartered Institute of Purchasing and Supply, rose to 55.5 per cent in February, its highest level since last April.

The index is based on a weighted survey of variables, such as measures of output and new orders. Any level above 50 per cent represents an increase over the previous month. January's index, which was 49.1, pointed to a new-year lull in activity.

The institute said that output and new orders were particularly strong in February, reflecting "a general improvement in economic conditions throughout all regions and manufacturing sectors during the month".

Miners face up to a life above ground

David Goodhart meets some union officers who had furthest to fall

Ten years ago today George Hayes, the National Coal Board's area director for South Yorkshire, announced the closure of Cortonwood colliery, triggering one of the largest, and probably the last, great national strike in British industrial history: the 1984-1985 miners strike.

Since the strike, the number of miners has fallen from 196,000 to about 14,000 with political and industrial consequences which have been well charted.

But what has happened to the local officials of the National Union of Mineworkers? Those men – usually articulate and self-confident – were at the core of the political and social networks within mining communities and formed a unique labour movement elite.

As the pits have closed it is those men who have had furthest to fall, losing not only a well-paid job but social status. Many now struggle to earn a living as security guards, school caretakers, or taxi-drivers and look back nostalgically on the days when they were managing the working lives of hundreds of people.

Few have changed their views about the strike. Mr Alan Cummings, 46, a senior official at Easington colliery in Durham, still sees the strike as a political vendetta and still feels bitter about the lack of support from the rest of the labour movement. While others, such as Mr Carl Browning, lodge secretary at Celynen South in South Wales, always blamed Mr Arthur Scargill, the miners' leader, for mishandling the dispute – and still does.

Ten years on, Alan Cummings from Easington Colliery is still bitter, seeing the strike as a political vendetta Picture: Raoul Dixon

Mr Cummings' pit only closed last year, since when he has been winding up union business and is set to join the dole queue next month. He does not expect to be able to exploit his experience of managing people or even to find a job on the Peterlee industrial estate – dominated by the wives of former miners. Instead he is thinking of returning to college.

A fellow official at Easington, Mr John MacManey, has found a job doing unskilled work in a local factory packing batteries. What he finds hardest of all to take is the close supervision. "Down a mine you have to be able to trust people to get on with the job, but in factories they treat you like a moron," he says.

Another Sharlston official, Mr John Swithenbank, has, like many former miners, found employment as a security guard, on about half the pay he received as a miner. He works for the Reliance security company doing 12 hour shifts – three days on days, three on nights, then three days off.

Mr Jim Heel, former NUM treasurer at Celynen South, is one of a small number of miners to have survived as a small businessman. His wife's hardware retail business has been expanded since the pit closed and they run three shops.

Most former NUM officials say that they have to play down their former union work when seeking new jobs. But sometimes they take their strong union traditions into their new jobs. One such is Mr Frank Clarke, former secretary at South Kirkby colliery, who got a job at the Morrison supermarket in Wakefield and blew some new life into the local Transport and General Workers Union branch.

"They did recognise the union at Morrison's but there were no reps and nothing much seemed to happen", he says. He has also created a Wakefield branch of the TGWU with 750 members where before there was nothing.

But it has not been easy for Mr Clarke. As an NUM official he was on full-time union business. As a TGWU rep at Morrison's he has to do all union work in his spare time after working a 50 hour week for a little more than £150 a week.

NBC in moves on new TV channel

By Raymond Snoddy

NBC, the US television network, is expressing serious interest in applying to run a new national Channel 5 in the UK. The US company could not by law control such a venture, but is starting to look around for potential UK partners, including national newspaper groups.

NBC has been planning to expand into the European market for some time and last year bought control of Super Channel, the pan-European satellite television channel.

NBC executives believe they could bring a new programme dimension to Channel 5, which three quarters of the UK population could receive.

Last week the Independent Television Commission said it considered there was a strong case for re-advertising the single national licence for Channel 5. The Commission warned, however, that before taking a final decision it needed confirmation from the Government that the necessary frequencies would remain available. The issue is whether a conventional analog Channel 5 would be incompatible with developing digital terrestrial television in the UK.

As the ITC continues to develop a transmission plan for Channel 5, the Government has decided to use the interval "to take stock" on Channel 5 and the present state of digital television. It is likely to be two or three months before a Government decision – considerably longer than the ITC would have liked. The Department of Trade and Industry is believed to be particularly interested in prospects for digital television.

The possible involvement of NBC means there should be competition if a Channel 5 licence is advertised.

Last month MAI, the television and financial services group, Time Warner, the US media giant, and Pearson, owner of the Financial Times, said they had formed a consortium to bid for the Channel 5 licence if one is advertised.

Scots salmon producers angry at Norwegian 'dumping'

By James Buxton, Scottish Correspondent

Scottish salmon producers have stepped up their action against Norway by making a formal complaint to the European Commission alleging that the Norwegian salmon industry has been dumping its fish on the European Union market.

The complaint comes five months after European salmon prices collapsed following an unexpected upsurge in output by Norway, the dominant European producer.

Scottish salmon farmers claim Norway's higher production is made possible only by heavy government subsidies and financial support for the banking system which lends to the farmers. It wants the European Commission to investigate its claim that Norwegian farmers are selling fish below the cost of production, and if this dumping claim is sustained take action against Norway.

That could entail imposing countervailing import duties, or asking Norway to bring supply and demand into balance, by taking fish off the EU market.

To support its claim of dumping the Scottish Salmon Growers Association commissioned a report from the accountants Ernst & Young which showed that Norway's high level of salmon production at low prices could not have been achieved without direct grants and subsidies to producers amounting to 20 per cent of the cost of production over the past five years.

It said the losses made by the Norwegian industry over the past five years had mostly been absorbed by the four major banks, which since 1991 have come under the control of the government.

Mainly because of a surge in Norway's salmon production, helped by breakthroughs in treatment of disease, salmon prices in the EU collapsed last October. In November the EU imposed a minimum import price on salmon which was increased last month to £2.74 per kg. In recent days salmon prices have strengthened to nearly £3 per kg.

Norway produced 180,000 tonnes of salmon in 1993 compared 140,000 tonnes in 1992, while Scotland's output rose from 38,000 tonnes to 48,700 tonnes, of which 3,500 tonnes were unsaleable because of pollution from the Braer tanker sinking in Shetland.

Unionist blow to progress on Ulster talks

By David Owen, Philip Stephens and Tim Coone

Attempts by the British and Irish governments to forge a durable settlement in Northern Ireland were dealt a serious blow yesterday when the Ulster Unionists, the province's largest political party, ruled out a return to round-table talks with Dublin and other constitutional parties.

Mr James Molyneaux, the UUP leader, said multi-party talks under the old formula of nothing being agreed until everything was agreed were "a recipe for disaster and failure." But he said the party was prepared to continue with bilateral discussions co-ordinated by Northern Ireland minister Mr Michael Ancram.

The party's stance was immediately condemned by Mr Albert Reynolds, the Irish prime minister, who said any attempt to reach an internal settlement in Northern Ireland was "unacceptable".

Mr John Major also reaffirmed his support for the three-stranded approach, covering relations within the province, between the province and Dublin, and between London and Dublin.

The prime minister, who last night held talks on Northern Ireland with president Bill Clinton, stressed Britain was anxious to draw a line under its dispute with Washington over the visit to the US of Sinn Féin president Mr Gerry Adams.

Launching new UUP proposals for devolved government in Ulster, Mr Molyneaux attacked Sir Patrick Mayhew, the Northern Ireland secretary, for "to some extent torpedoing" the Ancram talks process by sending a checklist of ideas on the path to a settlement to Dublin.

Calling for the introduction of internment as part of an immediate clampdown on terrorism, he warned Mr John Major that the UUP's special relationship with the Conservative party would be jeopardised if the government was not prepared to press on with restoring accountable democracy to the province.

The centrepiece of yesterday's proposals was a call for an 85-member Ulster assembly, elected by proportional representation.

On relations with Dublin, the party said only that its ambition would be to "develop co-operation on matters of mutual interest and concern."

In talks with US congressmen Mr Major emphasised that last December's joint declaration was not designed simply to provide a "quick fix" in the province. It would remain on the table to provide the foundation for an eventual permanent settlement.

It is understood that the prime minister believes that the purely internal assembly sought by Mr Molyneaux would be vetoed by Mr John Hume's mainly Catholic Social Democratic and Labour party, which in turn would wreck the prospects of a durable settlement.

Government to review public sector contracts

By David Owen and Roland Rudd

Private companies will be able to win public sector contracts without having to compete against other bidders, under new British government guidelines to be unveiled today.

Mr Stephen Dorrell, financial secretary to the Treasury, will announce that ministers have decided to drop their insistence on competition in all cases, in an effort to get the government's private finance initiative off the ground.

Under the new guidelines, where a contract cannot proceed without access to the intellectual property of the company that came up with the proposal, it will not be put out to public tender.

The move, recommended by the government's private finance working party, is designed to address what has emerged as a significant obstacle to the involvement of private capital in public sector projects.

Companies have been unwilling to commit resources to devising new proposals since, once adopted, they are required to go to competitive tender for implementation allowing the innovation to be won by a competitor.

Addressing an Institute of Directors seminar, Mr Dorrell will set out a framework for handling competition in private finance initiative contracts.

He is expected to confirm that government departments will be permitted to offer the partial reimbursement of tendering costs if they set out the arrangements under which this would take place before the tendering process starts.

Companies represented on the government's private finance working group have also been assured that when contracts are put out to competitive tendering the competition will only be between three or four big companies. This is designed to cut down on the bureaucracy and time involved in the tendering process.

Government departments will also clearly define public sector contracts in order to avoid what one member of the committee called "the chopping and changing of government construction contracts".

A string of conditions is expected to apply to the cases where the competition requirement is dropped. The proposals will not involve cases covered by European Union rules requiring competition.

Mr Dorrell's speech comes a week after a Labour paper on private financing for infrastructure projects and he is expected to argue that there is cross-party consensus on the benefits of private finance.

Heseltine raps legal advice on Iraq

By Jimmy Burns

The opposition Labour party yesterday called for the resignation of Sir Nicholas Lyell, Britain's attorney-general, after Mr Michael Heseltine, the trade and industry secretary, publicly questioned the legal advice given to ministers in the Matrix Churchill case.

In evidence to the Scott exports-to-Iraq inquiry, Mr Heseltine said that he had been offered contradictory advice by Sir Nicholas on whether he should sign public interest immunity (PII) certificates preventing disclosure of Whitehall documents.

Last night Sir Nicholas said his advice on PII "has remained consistent". He is planning to give evidence to the Scott inquiry in three weeks time.

Earlier Mr Heseltine told the Scott inquiry that he had signed a PII certificate extremely reluctantly, only after being advised by Sir Nicholas that it was his duty to do so. He had also been reassured that his concerns would be conveyed to the judge.

But following the collapse of the Matrix Churchill trial, Mr Heseltine received further advice from Sir Nicholas that he was not duty-bound to sign a PII in cases where revealing documents "might be essential to ensure a fair trial".

Mr Heseltine said he found the apparent contradiction "incredible" given the strong reservations he had had about not making documents available to the defence in the Matrix Churchill case.

During the Matrix Churchill trial, counsel for the prosecution, Mr Alan Moses QC, made no reference to Mr Heseltine's worries and argued that the documents were not relevant to the defence.

Mr Heseltine said he was in principle in favour of the need for confidentiality to preserve the efficient working relationship between officials and ministers and also to protect the intelligence services.

But he had refused to sign a PII certificate in the Matrix Churchill case after a close examination of the documents involved.

The documents showed links between the intelligence services and Matrix Churchill executives, and official approval of the export to Iraq of machine tools known to be of military use. The prosecution said the businessmen had lied to the government, and that the documents were not relevant to the defence even though they showed the executives exporting defence-related equipment with full government knowledge.

Mr Heseltine said: "It became apparent to me that if these series of events were known at any stage, I would have to become engaged in a process of non-communication. This I was not prepared to do."

He signed the PII certificate only after insisting that it was phrased in such a way as to protect him from any future allegation of a cover-up.

Mr Robin Cook, Labour shadow trade and industry secretary, said last night: "It is hard to see how the attorney-general can now survive. His role appears to have been to protect the government rather than the course of justice."

Michael Heseltine arrives to give evidence to the Scott exports-to-Iraq inquiry yesterday Picture: Trevor Humphries

Britain in brief

Record fine for insurance company

A widespread and systematic failure to comply with regulatory requirements yesterday cost Legal & General, one of the UK's leading life and general insurance companies, a total of £400,000, including a record fine.

Lautro, the self-regulatory organisation for the UK life insurance industry, ordered L&G to pay a fine of £180,000 as well as the £220,000 costs of its investigation.

The charges, which were admitted by L&G, focus on its failure to keep proper control of its direct sales agents. They highlight in particular the way in which compliance responsibilities were delegated to branch management and staff without enough central control.

L&G said yesterday that it remained committed to the philosophy behind its system – that compliance had to be an integral part of the sales process and so was a matter for every sales agent – but had introduced central checking of all customer information acquired by its sales force.

Mercury wins court hearing

Mercury, the UK telecommunications company, yesterday won the preliminary court hearing of its action against BT, its principal competitor, and Oftel, the telecommunications regulator. It is the first legal action to be pursued against a regulator of the former state utilities.

Mercury had claimed that Oftel had not offered it reasonable terms for the carriage of its traffic by BT, through a consistent misinterpretation of BT's government licence.

Mercury's victory yesterday means there will be a full hearing of its application for a legal interpretation of that part of the licence which deal with interconnection.

Tory split on Europe reopens

The difficulties facing Conservative party leaders in producing a unifying manifesto for the Euro-elections in June were further underlined by renewed demands from Eurosceptics yesterday.

In a debate on the enlargement of the European Union they again urged the renegotiation of the Maastricht treaty.

Mr Bill Cash, Conservative MP for Stafford and the most persistent critic of the Maastricht treaty, said it was "perfectly apparent" that it was not working and he suggested that the Treaty of Rome, on which the original European Community was founded, also needed to be renegotiated.

Calor to offer natural gas

Calor Gas, the dominant supplier of bottled liquefied petroleum gas in the UK, has decided to enter the competitive natural gas market.

Mr Howard Robinson, chief executive, said Calor Gas is to offer supplies immediately to consumers using more than 2,500 therms a year, with particular emphasis on small commercial users.

Calor's new business will be supplied by Alliance Gas, the joint venture of British Petroleum, Statoil and Norsk Hydro of Norway. Alliance claims to have 10 per cent of the firm market for gas users above 2,500 therms. Calor says it might attract 5 per cent to 10 per cent of the 300,000 or so potential customers in the small commercial category.

Baby milk ad plan attacked

UK manufacturers of infant formula yesterday attacked government proposals to ban all consumer advertising of baby milk as a "scandal" which would result in tougher laws than currently apply to tobacco.

The government plans to have regulations in place by June. Health officials want to see an increase in breastfeeding, which is considered better for infants than formula milk. The rule changes also follow on from a European Union directive on infant formula.

CAN EUROPE COMPETE?

Service industries

Animal spirits on too tight a leash

Services in Europe are less attuned to a mass market than in the US, says **Guy de Jonquières**

When Europeans discuss industrial performance, most of the talk is about manufacturing and little about services. Yet as the challenge of economic regeneration grows more pressing, services' contribution and potential look set to move sharply up the agenda.

The sector is already Europe's largest source of output and employment – and its importance is increasing. In west Germany, Europe's leading manufacturing economy, the number of services jobs rose 28 per cent from 1980 to 1992, while totals in other sectors stagnated or declined.

The outlook is for a continuing fall in factory jobs and a squeeze on public sector payrolls throughout Europe, leaving services as one of few areas where large-scale job creation still seems possible.

Optimists point to the US, where services employment has grown by 23m people since 1980 – double the rise in the EU – and to the growth of Britain's service economy. Though the quality of jobs created is disputed, these examples are cited as arguments for relaxing continental Europe's rigid labour laws.

But the story does not end there. The search for new jobs coincides awkwardly with structural upheavals in services businesses such as telecommunications, the media, financial services and retailing.

These businesses ought to be at the heart of wealth creation, as Europe upgrades from declining traditional industries to newer, technology-based activities involving higher skills and greater value-added. But, in many, pressures to improve efficiency are likely in the short term to lead to fewer jobs, not more.

A report last month for the European Commission found airlines' operating costs were 48 per cent higher in Europe than in the US, largely because of poorer labour productivity. A McKinsey study in 1992 found similar transatlantic productivity differences in telecommunications and banking.

More recently, McKinsey found the efficiency of British retailers, supposedly among Europe's highest, trailed far behind US chains. It concluded that, if UK supermarkets had to charge US prices, they would plunge into loss.

While most service businesses were labour-intensive and sheltered by national barriers, such discrepancies mattered little. But the discrepancies are becoming unsustainable as cross-border competition and labour-saving technologies compel companies to raise productivity.

The pace is being forced by privatisation, which is challenging the over-staffing, bureaucracy and obsolete practices encouraged by a tradition of state ownership in sectors such as telecommunications, airlines and banking. To judge by job cuts by privatised UK companies, the scope for labour-shedding across Europe in the next few years is huge.

If services are to generate economically rewarding additional jobs, tackling rigid labour laws will not be enough. Much will also depend on Europe's ability to maximise market opportunities and stimulate service-based businesses with the potential to grow fast and profitably.

On this score, services in Europe are bound by two constraints which impose more heavily than on manufacturing. One is domination of important markets by national monopolies. The other is a more complex – and often more restrictive – panoply of regulatory control.

The impact of the EU's single market programme on these obstacles has been uneven. Progress in dismantling barriers and encouraging cross-border competition has been reasonably rapid in a range of financial, professional and business services and road transport, but more halting in classic monopoly industries, such as telecommunications, energy supply and air transport. Nor does the programme tackle some inhibiting national regulations, such as Germany's tight curbs on shopping hours.

But it is debatable how far fragmentation of Europe's services markets has, in practice, obstructed their development. Though many barriers to market entry have been real, others seem to owe much to participants' attitudes.

Among the most persuasive evidence is trans-European expansion by US services producers. While Europe's broadcasters and film makers dabble with collaboration, Hollywood entertainment dominates its screens. The US-owned MTV music channel, now beamed Europe-wide, has pioneered an entirely new market.

US telecommunications and cable operators have been more aggressive than most local counterparts in establishing footholds in Europe, while the running in "multi-media" services, such as home shopping, is mostly by US firms. Most packaged software used on personal computers in Europe is of US origin, while Japanese groups dominate electronic video games.

Chains such as Toys R Us and Computerland have revolutionised sectors of European retailing, while McDonald's is now France's biggest restaurateur and has earmarked western Europe as its prime growth market in the 1990s.

US companies obviously benefit from scale economies from a large and homogenous home market. But, in most cases, they also succeed in Europe by offering distinctive products, backed by effective marketing and distribution.

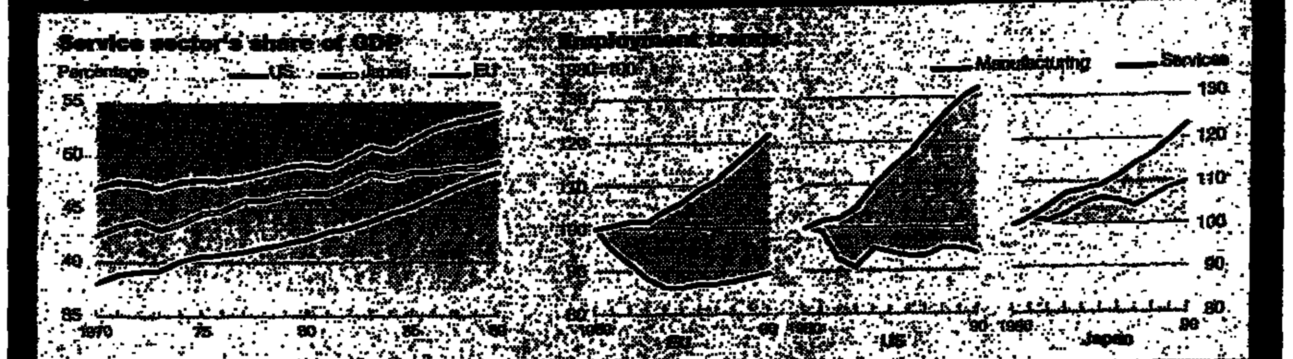
European services companies such as Ikea or Benetton in retailing, which have made an impact in North America by transplanting a new idea, are more rare. More often the preferred route is to buy market share by investing in established businesses.

Though this approach is supposed to reduce risk, the results have been mixed. Grand Metropolitan has revitalised Burger King, but Bass is still struggling to turn around Holiday Inn. Marks & Spencer now admits it paid too much for Brooks Brothers, the US clothing chain, while several European grocery groups which bought into US supermarkets have been troubled by the experience.

Of course, US service companies are far from infallible, as the Eurodisney fiasco demonstrates. But, at their best, they often seem more closely attuned than European businesses to the mass market and more confident about exporting innovations.

That suggests that, if Europe's services industries are to prosper, ridding markets of artificial barriers and excessive regulation is only half the battle. The bigger challenge may be to unleash the animal spirits needed to exploit them fully against steadily stiffer international competition.

Services importance grows worldwide as job creation outstrips manufacturing...



...but patterns in Europe vary by country...

Employment in services 1990

Percentage	Belgium	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxembourg	Neths	Portugal	UK	EU
Transport	9.0	10.1	9.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.1	10.6	11.2	8.1	10.8
Banking/insurance	8.2	[illegible]	7.9	5.2	[illegible]	[illegible]	[illegible]	[illegible]	17.2	7.4	7.8	5.4	6.9
Communications	3.9	[illegible]	4.1	[illegible]	[illegible]	[illegible]	[illegible]	3.0	3.2	4.1	5.5	[illegible]	4.6

Value added in services 1990

Percentage	Belgium	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxembourg	Neths	Portugal	UK	EU
Transport	12.6	14.7	8.9	[illegible]	8.3	[illegible]	[illegible]	[illegible]	7.8	9.7	7.7	7.9	7.9
Banking/insurance	10.6	[illegible]	11.1	6.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.6	10.7	21.2	14.5
Communications	3.5	4.1	3.0	[illegible]	[illegible]	4.2	4.8	[illegible]	4.7	4.5	[illegible]	5.0	4.0

...while retailing becomes more international

Leading cross-border retailers operating in Europe

ALDI: Europe's largest discount grocery retailer. [illegible] Turnover 1992: DM 22.8bn [illegible]

CARREFOUR: France's largest quoted food retailer. [illegible] Turnover 1992: FFr 117.1bn [illegible]

AHOLD: The Netherlands' largest retailer [illegible] Turnover 1992: DFl 22.32bn, more than 50% from abroad.

PROMODES: France's second-largest food retailer [illegible]

A growing taste for shopping around

Retailing

By Neil Buckley

Single market enthusiasts have long maintained that retailing has a special role to play in cementing the unity of the new Europe – and not just because of the sector's role as distributor of manufactured goods. It employs about 17 per cent of the EU's workforce, and retail sales account for between 16.6 per cent of gross domestic product (in Belgium) and 35 per cent of GDP (in Greece).

Yet retailing remains one of the least international industries, with many leading retailers operating largely within their home markets. There are fears that Europe's failure to develop powerful, truly international chains means it will soon be overrun by new entrants from the US.

The fragmented nature of the European market results partly from cultural, language and taste differences. But restrictive legislation has also hindered domestic and cross-border expansion.

Laws such as France's *Loi Royer*, Belgium's *Loi Cadenas*, and Germany's *Baunutzungsverordnung* limit retail developments above certain sizes. In the Netherlands, the number of stores in any area is limited according to population size. Those restrictions have not been removed by the single market and, in some cases, differences are widening.

But it would be wrong to suggest that cross-border expansion in Europe is not taking place. Between early 1991 and early 1993, the Oxford Institute of Retail Management found European retailers had made 530 international moves, nearly three-quarters of them expansions into other European countries. But restrictive legislation and market saturation at home have also spurred retailers to look at north America.

France's Promodès, Germany's Aldi and Tengelmann, Belgium's Delhaize, and Ahold of the Netherlands all make at least 20 per cent of their turnover outside their home markets. But chains from across the Atlantic are also eyeing opportunities provided by a market of 320m west European consumers – and are well-equipped to exploit them.

Unimpeded by national boundaries, planning restrictions, high land costs, and wars at home, some US retailers have been building up their operations for a century or more.

The result is the world's largest, most vibrant retail market. At $2,000bn in 1992, it was larger than the GDP of united Germany. Their size gives US retailers enormous buying power, while the competitiveness of the market, plus the fact that experimental stores can be launched easily and cheaply, has made the US the crucible of retailing innovation. The US invented mail order, the self-service supermarket and TV shopping.

US retailing also has a highly-developed discount sector, and has pioneered discount formats such as warehouse clubs, "category killers" such as Toys R Us and factory shop malls, which could pose a significant threat to higher-margin European, and especially UK, retailers. A recent report by retail research group Corporate Intelligence suggested more than 50 US retail groups were queueing up to enter Europe, including the world's largest, Wal-Mart.

There is, moreover, an important difference between US and European retail expansion overseas. US retailers tend to export their own format and grow organically. Groups such as Toys R Us and restaurant chain McDonald's have brought innovative formulas to Europe and transformed every market they have entered.

One reason may be that family ownership of retailers makes it difficult to buy into the French, German and Dutch markets. But US retailers may in any case be more adept at exploiting gaps in the market.

While some European retailers – such as Ikea, the Swedish furniture superstore chain, Carrefour, the French food retailer, and smaller formats, such as Benetton, Body Shop and Laura Ashley – have extensive overseas networks of their own stores, most European retailers have preferred to expand abroad through acquisitions. But they have not always proved adept at transferring management skills to acquisitions, as shown by the roll call of European companies, such as Marks and Spencer, Delhaize and Dixons, that have had trouble in the US in recent years.

Quest for a strategy to match Hollywood

The media

By Raymond Snoddy

Those struggling to create a strong European audio-visual industry face an uncomfortable fact: across Europe, audiences still often prefer the entertainment offered by Hollywood.

Even in France, where paranoia about US "cultural imperialism" seems rampant, consumers continue to vote with their feet at the box office. Although the most popular film in France last year was *Les Visiteurs*, a satire, it was one of only two French films to reach the top 10. In its first 11 weeks, Steven Spielberg's *Jurassic Park* sold 1.33m tickets in the Paris region alone.

The US industry's dominance is based on the economies that flow from its scale of production and the fact that costs can be recouped in the domestic market before being exported. By comparison, Europe is fragmented by language, tradition and differing attitudes to commercial broadcasting. Many European countries have only recently developed commercial channels alongside older public service broadcasters. In the past decade, for instance, the number of commercial television channels in Europe has risen from only four to more than 60 – though the number is likely to grow with the launch of channels financed by advertising in eastern Europe.

In some major European markets, commercial production skills are still not fully developed. Mr Manfred Lahnstein, president of the electronic media division of Bertelsmann, the German media group, says the German television industry still finds the production disciplines needed to turn out 30 minutes of a soap opera every day difficult. "The advantage of the Anglo-Saxon world is that they had private television so much earlier than the continental Europeans," he says.

Even so, German television has been changed profoundly by private broadcasters such as RTL, in which Bertelsmann has a 39 per cent stake. After 10 years in existence, RTL has finally taken a lead in the ratings over both ARD and ZDF, the main German public networks. Yet many of the big commercial broadcasters such as TF1, France's privatised first channel, CLT of Luxembourg and Silvio Berlusconi's Fininvest remain net importers of programmes from the US.

Moreover, individual markets are at different stages of development in the new media. Cable and satellite, are well-established in the UK and Germany but hardly at all in Italy. The pan-European market is still in its infancy, although a growing number of satellite channels are broadcasting to a continental market.

Varying strategies are being pursued by European governments and media groups to compete more effectively with the Americans. Several governments, such as France and the UK, are moving to reduce barriers preventing broadcasting organisations becoming larger.

It is, however, hard to see this process producing more European media groups on a world scale. There have been no television or film equivalents so far of the merger of Reed International and Elsevier in the publishing and information business.

Additional reporting by Quentin Peel in Bonn, Alice Rawsthorn in Paris and Robert Graham in Rome.

Regional expertise in niche markets

Business services

By Hugo Dixon

Business services such as telecommunications, air transport and accountancy are not only large sectors in their own right: their performance also strongly influences the success of the economy as a whole.

Unfortunately, Europe's performance in many business services leaves much to be desired. Compared to the US, productivity is often poor, markets are shrivelled and services are expensive.

A services study by McKinsey, the management consultants, in 1992 concluded: "US industries generally continue to show a higher level of productivity than their European counterparts." As a result, Europe does not have as large a presence as the US in what are often high value-added businesses, and other industries reliant on business services suffer from high costs and poor quality.

But the picture is not all gloom. Europe, notably the UK, does quite well in accountancy, law and management consultancy. Britain's leading law firms are the main competitors for US firms in the growing market for international legal services. The "Big Six" global accountancy firms still have strong UK roots.

An important explanation is that London's highly developed financial markets have proved demanding customers for accountants and international lawyers. Not only has this meant a high standard has been required of them but it has also enabled them to win business abroad by hanging on to financiers' coat-tails.

Europe usually does well in business services needing a high degree of customisation as opposed to mass-market solutions. A history of fragmentation seems to have given the region's businessmen an expertise in niche markets.

For example, Europe's computer services industry performs well in designing "bespoke" software – tailor-made solutions for individual companies. By contrast, the market for "packaged software" is dominated by the US. It supplied 78 per cent of the world market in 1991, with European production accounting for only 16 per cent.

Europe's tradition of monopoly and state-ownership has contributed to its lack of dynamism in sectors such as telecommunications and air transport. Fragmentation of these industries on national lines has also prevented the development of high-quality cross-border networks.

The consequences in telecommunications are quite high prices for basic phone services, especially cross-border calls. There has also been a low take-up of more advanced products, such as freephone services, while Europe is behind in developing "electronic superhighways" which could revolutionise distribution arrangements for many industries.

In airlines, the picture is similar. A recent report for the European Commission showed Europe suffers from quite high airline operating costs and antiquated air traffic control systems. High fares and delayed flights not only harm business travellers and undermine development of a single market: they also undermine the competitive advantage of the EU's travel and tourism industries, which employ 19m people.

Cleaning up continental competitors

With much of its work done in the hours of darkness, the cleaning business occupies a twilight zone of the service industry. Yet providing sparkling environments for offices, hospitals and industrial premises can offer Europe-wide growth opportunities comparable to those in much higher-profile sectors.

ISS, the Danish cleaning group which is the world's leader in this field, has built up a European network of high-quality cleaners. Mr Waldemar Schmidt, the 53-year-old managing director of ISS's European operations, responsible for turnover of £330m a year, says: "If other people can have pan-European businesses, we asked ourselves, 'Why shouldn't this apply to cleaning?'"

Cleaning is traditionally a fragmented, regional business, given scant attention by customers. By offering high standards and encouraging companies to take a cost-conscious look at their cleaning bills, ISS claims it can lower overheads and promote efficiency.

ISS prides itself on higher wages and better training than most competitors. "Cleaning is generally thought of as a job nobody wants to do," says Mr Theo Dilissen, managing director of Belgian operations. "We offer incentives and training courses so people can upgrade. Our workforce is our product. We're helping our customers to become competitive."

ISS's customers range from multinationals, such as IBM, Philips and Monsanto, to the European Commission, Vienna and Geneva airports and the British Rail subsidiary running the north London maintenance depot for Channel tunnel trains.

Cleaning budgets can be surprisingly large. The annual cleaning costs of Asea Brown Boveri, the international engineering group, exceed $75m. "If you have an in-house cleaning team, it's not part of the core business," says Mr Schmidt. The key to better productivity,

CASE STUDY: ISS

High-quality cleaning can be a pan-European business according to the Danish company that leads the world in this field. David Marsh reports

he says, is to bring in quality-conscious outsiders, sometimes combining cleaning with other duties.

Under a recent contract with Slovenian railways, ISS is to have 300 cleaners on the country's trains and stations, down from 600 previously. In an annual £2m contract with British Airports Authority, 130 ISS cleaners work in three shifts at Heathrow's Terminal One. They are encouraged not merely to sweep floors but also to give directions to travellers.

ISS is developing additional services for its hospital customers, such as catering, portering, technical maintenance and equipment supply.

With 130,000 employees in 20 countries, ISS is present in every main European country apart from France and Italy. Its share of the cleaning market is between 20 and 40 per cent in Scandinavia (where it is the market leader), 6 per cent in the UK (where it is No 3) and 2 per cent in Germany (No 8).

Mr Schmidt says expansion is customer-driven. He estimates annual growth rates of the "contracted out" cleaning market at 5 per cent in Austria, Switzerland, Germany and France, 7 per cent in the UK, and 10 per cent in Belgium and Greece. If ISS is right, more and more companies will be coming round to the view that cleanliness and competitiveness belong together.

BUSINESS AND THE LAW

Decision annulled and fine reduced

EUROPEAN COURT

The Court of First Instance has again shown its teeth by annulling part of a European Commission competition decision and substantially reducing a fine imposed on one of the applicants.

The Commission decision concerned the Helsinki agreement – an agreement between certain French financial institutions and the Eurocheque organisation – which provided that traders affiliated to the Carte Bleue and/or Eurocard networks would accept foreign Eurocheques on the same terms imposed for payments by Carte Bleue and/or Eurocard cards.

Under the agreement, the French financial institutions agreed they would charge traders which were affiliated to the relevant networks a commission for purchases paid for by Eurocheque. The level of commission would be no greater than that applicable to purchases paid for by CB, Visa or Eurocard/Mastercard.

The Commission said the agreement infringed the EC competition rules and imposed fines of Ecu1m and Ecu5m on the Eurocheque organisation and on the French financial institutions group respectively. The parties sought annulment of the decision or annulment of the fines.

The Eurocheque organisation's case turned on a procedural issue relating to the rights of defence. Just before the Commission sent out its statement of objections, setting out its preliminary findings on the Helsinki agreement, the French financial institutions group notified the agreement to the Commission.

In the light of this notification, the Commission addressed a supplementary statement of objections to the French financial institutions group, but not to the Eurocheque organisation on the grounds that Eurocheque had not notified the agreement. A copy of the document was sent to Eurocheque for information.

Eurocheque claimed the failure to address the supplementary statement of objections to it breached its rights of defence, in that certain new objections were raised in the supplementary document which it had not been able to answer.

The Court said that, under the procedural rules governing such matters, it was the Commission's duty to address statements of objections to all interested parties, and that it could only retain in its final decisions those objections which the parties had had an opportunity to address.

The Court said the supplementary statement of objections had modified the intrinsic nature of the objections raised against Eurocheque. It also said the Commission should not send to one party a copy of a statement of objections addressed to another.

As a result of its findings, the Court annulled that part of the Commission's decision relating to Eurocheque, including the fine.

The French financial institutions raised several points. The first was that the Commission decision had failed to establish the existence of a price-fixing agreement. The Commission had taken the position in its decision that, not only did the Helsinki agreement set out rules for the charging of commission on certain Eurocheque transactions, but that it also regulated the amount of such charges. The Commission based this latter conclusion on certain provisions in the Helsinki agreement.

But the Court said, although the Commission had been right to find that there had been an agreement to charge commission on certain Eurocheque transactions, it had been wrong to find that there has been an agreement on the amount of commission.

The Court said the different provisions of the Helsinki agreement, which had been read together by the Commission in support of its finding, in fact related to two different types of transaction.

Given that the basis on which the Commission reached its finding was wrong, the finding itself was invalid. Even though the French group's other arguments were unsuccessful, the fine should be reduced accordingly. The Court said the fine should be cut from Ecu5m to Ecu2m.

Joined Cases T-39/92 and 40/92: Groupement des cartes bancaires "CB" and Europay International SA (formerly Eurocheque International) v Commission. CFI 1CH, February 23 1994.

BRICK COURT CHAMBERS, BRUSSELS

A taxing task for partners

Robert Rice explains how to cope with the move to self-assessment

The 1994 Finance Bill contains what accountants Coopers & Lybrand calls "the most wide-ranging reforms of personal tax and compliance this century". The introduction of self-assessment for the self-employed and the changeover from taxation on a preceding-year basis to a current-year basis from the 1997-98 tax year, with a transitional year in 1996-97, will affect 9m people in the UK.

Among those most affected will be partnerships. For partnerships in existence on April 5 this year, taxable profits arising in any year of assessment after April 5 1997 will be calculated as though the firm were an individual, and then divided among the partners in the same way actual profits are shared in the period in which they arise.

Partners will be required to include their share of the taxable profits in their own personal tax returns for 1997-98 and calculate or "self-assess" the tax due on their total income and capital gains. Each partner will be responsible for payment of his or her own tax. Tax returns must be filed with the Inland Revenue by January 31 in the year following the year of assessment.

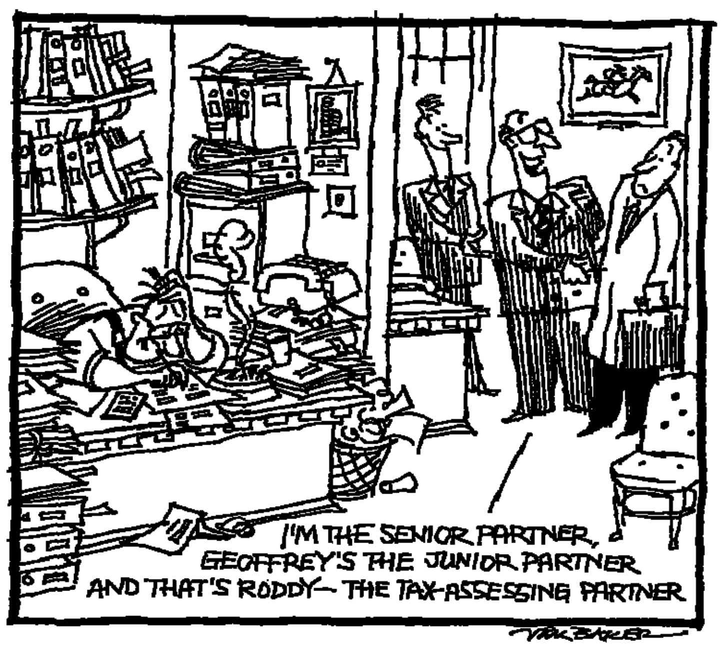
Payments on account – tax paid before the final amount has been agreed with the Inland Revenue – will be due in two instalments, the first on January 31 in the year of assessment and the second on July 31. Interim payments will normally be based on the preceding year's tax liability. Final balancing payments, like the tax return, must be made by January 31 in the year following assessment.

Thus a firm with an accounting period ending on June 30 1998 will pay tax in the financial year 1998-99 (the tax year in which its accounting period ends), and partners will have to make interim payments on January 31 and July 31 1999 and file completed returns and make balancing payments by January 31 2000.

To encourage compliance and prompt payment, tax paid 28 days late, ie on February 28, will attract a 5 per cent surcharge and, if it is still outstanding six months later, another 5 per cent.

Although the new regime treats partners as sole traders, making each of them responsible for his or her share of the profits, partnerships will still submit returns of adjusted profits and the allocation of them among the partners to the Revenue. Negotiations on the profits will also still be handled centrally with the partnership.

To encourage compliance, late partnership returns will also attract an automatic penalty of £100 per partner and a similar penalty if still outstanding six months later. There are similar penalties for late personal returns.



For partnerships in existence on April 5 this year, 1996-97 will be a transitional year. Under the transitional provisions, tax paid in 1996-97 will be a 12 months' average of the tax payable on the profits arising in the two years to April 5 1996.

Thus for a partnership with a year end of April 30, the relevant accounts on which tax will be assessed for the transitional year 1996-97 will be for the periods May 1 1994 to April 30 1995, and May 1 1995 to April 30 1996. Tax will be payable on 12/24ths, or half, of those results.

According to Denise Catterall, a tax partner of Coopers & Lybrand, this creates a significant, one-off tax-planning opportunity for partnerships.

If a firm is anticipating any large or unusual items of income, it should try to ensure payment is made during the transitional assessment period, as it will effectively be halved for tax-averaging purposes. Equally, large one-off items of expenditure, such as refurbishment or redundancy costs, should be kept out of the assessment period, because a firm will effectively get tax relief on only half.

With May 1 not far away, firms should be planning now to take advantage of the transitional regime, either bringing forward exceptional items of expenditure or delaying receipt of exceptional income, she says.

But there is one caveat. The Revenue has said it will introduce a narrowly targeted anti-avoidance provision, details of which may not emerge until next year, so caution is required.

Mrs Catterall believes that, provided firms stick to what can be classified as ordinary commercial decisions, the Revenue will find it hard to object. The trick, she says, will be to avoid anything that is too obviously designed to cash in on the transitional regime.

The same is also true of partnership borrowings. If a firm has partnership borrowings and is likely to pay an unusual amount of loan interest in the transitional period, it will effectively only receive tax relief on half. If, on the other hand, the borrowings are rearranged so that they are expressed as loans to each partner individually, then full tax relief on the interest will be available to partners as individuals.

Again, the Revenue may target this as an avoidance measure, but Mrs Catterall believes it should be possible for firms to argue a commercial justification for rearranging their finances.

The start of the transitional period is not far off, so it is vital that partnerships clear their arrears with the Revenue if they are to avoid problems in finalising their first partnership and personal returns under the new system. For firms with a financial year ending March 31, the problem is acute: once the new regime is in place, they will only have until the following January 31 to file their returns and pay their tax.

Ten months is a short time for even the most efficient partnership to sort out its tax system. If a firm is years behind in its tax affairs, as many partnerships are, any tax return filed within such a tight timescale will inevitably contain estimates.

With a period of only 12 months after the statutory filing in which amendments can be made, partnerships may lose out if they do not take steps quickly to ensure their tax affairs are up-to-date, to eliminate excessive reliance on estimated figures.

Within certain limits, partnerships will be able to change their financial year end, and the difficulty of filing returns within 10 months may be one reason for moving the year end to a date after April 5. An April 30 year end would give the firm considerably longer to file returns and statements of profits. But against that must be balanced the effect of paying tax on "overlap profits" – profits taxed in successive years for firms with year ends straddling the fiscal year – and, in particular, the impact of this on retiring and new partners.

Whatever the effect of the new rules on individual partnerships, the change to a current-year basis of taxation will accelerate the payment of tax, making tax provision more difficult – particularly in times of falling profits.

Whereas a tax bill amassed and waiting to be paid could be used as working capital under the old regime, under the new rules that "fund" will no longer be available, says Mrs Catterall.

She believes most partnerships will continue to provide for tax, but the acceleration of the payment of tax may mean they will have to find other means of raising working capital. Partners may be asked to contribute more, or the deficit may be made up by billing earlier and chasing up payment.

These changes in personal taxation will have a significant impact on all lawyers, architects, surveyors and other partnerships. For those who have not yet taken proper advice, time is running out.

LEGAL BRIEFS

Battle over drugs patent set for House of Lords

The battle between two pharmaceuticals companies over whether metabolites produced by the body in response to drugs can be patented is set to go to the House of Lords. This follows the UK Appeal Court's rejection of the claim by Merrell Dow Pharmaceuticals, of the US, of an infringement of its patent in the metabolite of terfenadine, an anti-histamine.

Merrell's original patent in terfenadine had expired, but the company claimed that, by selling tablets containing the drug, Norton Healthcare of the UK was providing the means for infringement of its subsequent patent in the terfenadine metabolite, produced when terfenadine is taken. The Court said that, if Merrell's argument was accepted, then "if they discovered that inside some organ of the human body aspirin invariably produces a hitherto unsuspected compound, they could patent the compound and thereby preclude anybody selling aspirin".

The Court said Merrell's patent covering the terfenadine metabolite should be revoked or amended so it did not apply to the metabolite when produced by the human body.

The case is being watched by producers of generic drugs, which fear big companies will use similar measures to prevent the sale of generic products.

Courtly cantatas

UK Lord Chief Justice, Lord Taylor, created a stir last year by appearing on BBC Television's flagship current affairs talk show, *Question Time*. But even he cannot match the efforts of two US counterparts, Supreme Court Justices Ruth Bader Ginsburg and Antonin Scalia, who last month donned wigs and gowns of a more theatrical kind to appear in the Washington Opera's opening performance of Richard Strauss's *Ariadne auf Naxos*.

PEOPLE

'Thinker rather than doer' needed at Fenner

Fenner, the Hull-based industrial group, is hoping to appoint a chief executive by the end of April, filling the gap left by Julian Bigden, who returned to the US in December after less than a year as managing director.

The appointment of a chief executive will be an important step for Fenner after a year of senior management changes. Bigden had been appointed managing director in February last year by Peter Barker, the former executive chairman, and replaced Tom Brown who resigned unexpectedly.

But in May last year Barker himself announced his retirement. Colin Cooke was appointed non-executive chairman in June and Bigden has now returned to his previous job running Fenner's highly-successful US polymers operation – a responsibility which he had retained when he moved to the UK.

His departure was said by Cooke to be "very amicable", although it is understood that Cooke was much happier with Bigden as a business manager than as a managing director.

Cooke, who is also executive chairman at Triplex Lloyd, says Fenner has three candidates in mind for the job of chief executive.

He is looking for a "thinker rather than a doer" as chief executive, to provide strategic leadership without interfering with the three main divisional heads as they try to exploit growth opportunities.

Fenner is now being run on a day-to-day basis by Mark Abrahams, finance director, and Michael Howell, a director of Arlington Capital Management who joined Fenner's board in November.

A big challenge for the new chief executive will be to resolve the future of Fenner's largest business, power transmission, which lost £1.8m in the year ended September 30 and was largely responsible for a fall in overall pre-tax profits from £11.3m to £9.6m.

Talks on a possible sale of the division broke down in December, and Fenner is now concentrating on improving the unit's profitability.

This would make it more attractive to another purchaser.

However, it remains a relatively low-margin operation and lacks the growth potential of Fenner's other specialist engineering businesses.

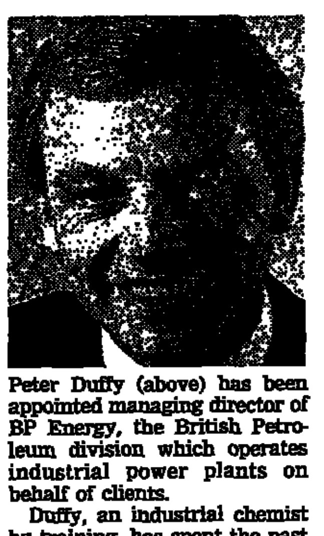
Avon Rubber plumps for Willcox

Tony Mitchard, who worked his way through the ranks at Avon Rubber from clerk to chief executive, is to bow out this December at the age of 60 after more than 40 years at the tyre and motor components company.

He will be replaced by the head of Avon's industrial polymers division, Stephen Willcox, 47. The succession was decided after months of deliberation by a board torn between the Willcox and the finance director, John Harper.

In the end, Willcox, who joined Avon as a graduate trainee in 1968 and only left briefly for a stint at Miles Laboratories, won the race by a nose. While the appointment was welcomed in the City, some suggest the new regime would face greater pressure to perform. "We do not mind who is running it as long as he does better than has been done in the past," says one analyst. "There has been a regular deferment of profits growth... and as a result a degree of impatience about the performance."

Mitchard, whose outgoing style contrasts sharply with the quieter approach of Willcox, is widely credited with having transformed Avon from a sleepy UK industrial group. However, the group's purchase of Cadillac Rubber and Plastics in the US in 1988 took longer than expected to bring benefits, partly because of recession but because of dependence on a few automobile manufacturers.



Peter Duffy (above) has been appointed managing director of BP Energy, the British Petroleum division which operates industrial power plants on behalf of clients.

Duffy, an industrial chemist by training, has spent the past 13 years with BP. He was most recently responsible for the industrial and public sector fuels business.

BP's energy division has grown rapidly in recent years, with turnover climbing from £7m in 1990 to £25m last year. The industry has been boosted by the trend among industrial companies of contracting out those activities not seen as critical to their core operations.

■ David Vernon-Smith, formerly head of human resources, has been appointed to the board as director, corporate affairs, at MANWEB.
■ Chris Etherington is promoted to director of management services at UNICHEM and Tony Foreman to director of sales and marketing of the wholesaling division; Bill Hart, who will retire later this year, becomes commercial director.
■ Geoffrey Faulkner has been appointed md of P&S Filtration, part of SCAPA GROUP.
■ Dale Schumaker, chief executive of Appleton Papers, the US subsidiary, has been appointed to the board of ARJO WIGGINS APPLETON.

Barnett moves to Y&R

Although the vaunted marriage between advertising agencies Gold Greenlees Trott and Young & Rubicam's London outpost has collapsed at the altar, Bernard Barnett has decided to join the latter.

Barnett, elder statesman of London's advertising trade press, is relinquishing his job at Campaign magazine and joining Y&R in a capacity yet to be determined.

Now 51, Barnett has done three stints at Campaign. Production editor from 1968-72, editor 1978-84, and editorial director since 1991, he's also that rare bird, a practitioner of what he preaches; he worked for the Abbott Mead Vickers and Ogilvy & Mather agencies between 1984-91.

But given that London's advertising world is buzzing with gloom and doom about Y&R London – managing director Tim Lindsay and chief executive Jerry Judge jumped ship just before Christmas – why has Barnett selected Y&R for his latest return foray?

Y&R London "is not in as good shape as it used to be", admits Barnett, but adds "there is an irresistible challenge in rebuilding a great brand."

MANAGEMENT

In a Nutshell

Companies seek more help

Small companies believe the UK government should be playing a greater role in helping them gain access to finance, according to a survey of 750 companies carried out by the British Chambers of Commerce.

About 80 per cent thought the government could provide more help. It could help to create low, fixed rate and longer-term borrowing for small companies.

It could also reduce "red tape", particularly that involved in applying for finance under the Loan Guarantee Scheme, which is now available up to £250,000 and can be taken as part of packages of finance that include bank debt.

British Chambers of Commerce. Tel 071 799 2196.

Government urged to produce report

Sir Michael Grylls MP, chairman of the Conservative backbench committee on trade and industry, has been persuaded to withdraw a private members' bill calling for the government to produce an annual report on smaller companies. But the government is still likely to produce some form of report. Lord Strathclyde, small business' minister, says he is keen to have such a report.

Businesses seek compensation fund

Should companies investigated, but cleared, by the Inland Revenue, receive compensation for their costs?

Companies in this situation are calling for a central fund to help alleviate what can be a damaging experience for smaller companies. During an investigation, they are often required to produce large numbers of historic statements, for which banks charge.

Even if there is no direct cost, the loss of key management time can extract a very high price in time and wasted opportunities.

Ironically, as the law stands, companies might be better off going to court to clear their name. If they won the case, costs would normally be awarded against the Inland Revenue and would include costs for preparing the case.

Data Protection dodgers face fines

Companies that have failed to register under the 1984 Data Protection Act risk fines of at least £5,000.

While 182,000 organisations have registered, some 150,000 computer users have yet to do so, according to the national audit office.

Under the act, any organisation that keeps details about living people on computer – even just names and addresses – must register their use of the information.

The Data Protection Register is to launch a campaign to encourage compliance. Failure to register is a criminal offence and can lead to fines of £5,000 in the lower courts and unlimited fines in higher courts.

Registrar's Information Service. Tel 0625 535777.

Intrastat system criticised

Senior managers of exporting companies spend as much as 10 hours a month filling out intrastat returns for HM Customs, according to a survey by Community Network Services.

All companies with exports and imports – or what are now called arrivals and despatches from the EU – of more than £140,000 are required to fill in the returns. But since intrastat was introduced at the start of 1993, the system has been criticised for under-estimating the volume of UK imports.

Some analysts, such as UBS's Bill Martin, say the import figures are as much as 50 per cent adrift. Now it appears the system is also eating into the time that managements could be spending developing their businesses. The returns are often filled out by management accountants, company secretaries or financial controllers.

However, according to CNS, which offers a software package to help put together the intrastat data, only 9 per cent of companies submit returns by floppy disk and only 4 per cent used a modem or another form of electronic data interchange. The rest submitted their returns on paper.

CNS. Tel 0489 589922

Richard Gourlay considers Lord Strathclyde's role as UK minister for small businesses

Making a mark

Jonathan Turner

Lord Strathclyde: 'We have to counter the view that what is on offer is shoddy'

When Lord Strathclyde first took his seat at the Palace of Westminster at the age of 26, police inside would not believe he was a noble lord.

Eight years on, and now minister for small businesses at the department of trade and industry, Lord Strathclyde has lost none of his boyish looks and enthusiasm. His age was initially some concern to the vociferous small-business lobby. With only six years' work experience at insurance company Bain Clarkson, what could he know of small business' concerns, some asked.

He was, furthermore, following a procession of ministers who had passed through the department with such speed that it seemed government support for small businesses was little more than rhetoric. But Lord Strathclyde has prompted pleasant surprise in the six months since he replaced Baroness Denton. Where she was ultimately criticised for not modifying her strong opinions, Lord Strathclyde has impressed audiences with his open mind and an ability to pick up complex briefs.

However, the direction in which he seems to be leaning has not been so widely welcomed. There is guarded optimism among people who want government increasingly to focus its small-business support services on the few businesses that have a real chance of growing, creating jobs and wealth. Those who want support services to be spread more thinly among a greater number of smaller businesses are less pleased.

A careful politician, Lord Strathclyde does not dismiss the value of what are often called "lifestyle businesses", companies which have little prospect of growing and creating wealth. But his policy emphasis is clear. "Sole traders are very important. They are crucial to local areas but the area we want to concentrate on is those businesses with an equity gap that want to expand, that are entrepreneurial," he says.

This preference is well illustrated by plans to revamp the consultancy service currently offered under the Enterprise Initiative, for example. Lord Strathclyde says: "It will be fewer companies that come into the net but those that do come in will get more out of it."

While Lord Strathclyde is developing his own views, there is no doubt his task is aided by fresh enthusiasm for smaller companies within the government. "In the last three or four months there has been a step change in the way government and other organisations treat small firms," he says.

The chancellor's last Budget put the funding gap on the agenda, with the announcement of a replacement for the Business Expansion Scheme and new venture capital investment trusts. He also focused the debate about legislation to counter late payment and relaxed a number of administrative rules, such as the need for smaller companies to have a full audit.

"I think Ken Clarke [the chancellor] is genuinely very keen on this area of the economy," Lord Strathclyde says. "I see my role first to represent government policy and how it affects small business, and to make sure my colleagues in government are not thinking of legislation which will damage the interests of small businesses," he says. But there are specific areas where he would like to leave a mark.

His first priority is Business Link, a project championed by Michael Heseltine, trade and industry secretary, which is designed to bring the government's support services together in one-stop shops. He says 50 of the 200 planned outlets will be open by the end of the year. "We need to reach not so much the people who don't know they exist but those that don't know they need the services. And we have to counter the view that what is on offer from government is cheap and shoddy."

Another priority is to sort out the issue of late payment. Lord Strathclyde says he "walked into the issue" on his first day, has welcomed the quality of the formal submissions but remains agnostic on whether there should be a statutory right to interest on late debts.

On finance, he would like to see greater use of the Loan Guarantee Scheme, recently raised to £250,000, as part of a package of finance. He recognises that investors in private companies need exit routes and supports calls for some form of third market to replace the Unlisted Securities Market. "I would like to see what the Stock Exchange is proposing although it doesn't have to be under the Stock Exchange's auspices."

British David takes on US Goliaths

Meiko is a private UK company in a sector dominated by American rivals, writes **Kate Button**

It is rare for a small, private UK company to venture into the global market of an industry that is indisputably led by the US, and beat all comers hands-down. But Bristol-based Meiko has done just that.

Founded in 1985 by six engineers who specialised in the concept of high-performance computing, Meiko now employs 180 people and has an installed worldwide base of more than 440 systems.

The company's key technology is massively parallel processing (MPP), a tiny new supercomputing sector, estimated to be worth $890m (£610m) by 1996, with an annual growth rate of 25 per cent. MPP systems combine hundreds or even thousands of cheap commodity chips to create much higher processing power at a much lower price than conventional supercomputers.

Meiko has been catapulted into competition with established big companies such as Cray Research, International Business Machines and Thinking Machines. Meiko is estimated to have cornered 25 per cent of the global MPP market and is the industry leader in Europe.

The only big UK company in the field, Meiko sees itself as a cosmopolitan contender. "We are a global company working with global customers in a global market," insists John Fuchs-Chesney, director of the UK holding company, Meiko Limited of Bristol, and executive vice-president of Meiko Scientific, the US subsidiary based in Waltham, Massachusetts.

Meiko's international qualities were a critical component in a bidding match that upset the supercomputing industry in July 1993. Meiko beat all US competitors on their home turf when it won the pitch to supply the government-funded Lawrence Livermore National Laboratory, California, with its latest and most powerful machine, the CS2 (Computing Surface 2). "Were Meiko a purely British operation, we would never have won that contract," says Fuchs-Chesney.

US competitors claimed that national security would be jeopardised, but Meiko had made sure that the terms of sale in both cases satisfied all federal and national requirements for the US and the UK.

"If the guys at Livermore decided that this is what they want, they should be able to buy it," comments Gary Smaby, a Minneapolis-based market researcher.

The indignant clamour from the competition has abated since preliminary acceptance trials run by Livermore proved successful. "The outcome of the tests was better than we expected," says Mark Seager, who runs the testing unit at Livermore. "The acceptance criteria were some of the most stringent we have ever imposed."

Meiko's unpublished revenues are said to have doubled in 1993 with this single $17.5m sale.

Despite this coup, Fuchs-Chesney is reluctant to dramatise the company's success. Whereas the US high-tech industry is prone to taking immature companies public, Meiko is cautious about cashing in on success prematurely. "These things take time," says Fuchs-Chesney. "It may take three to five years of development with a client before they buy into the risk of a new market sector."

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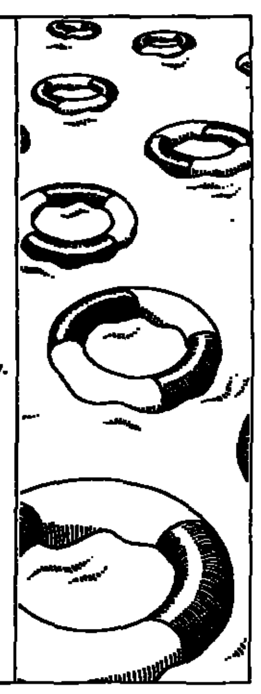

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TECHNOLOGY

Human drugs are being produced by livestock, says **Victoria Griffith**

Milking time on transgenic farm

Jonathan MacQuitty, chief executive of GenPharm International, a California-based biotechnology group, bristled with fatherly pride when he announced in January the birth of eight calves at his livestock operation in the Netherlands.

These are not just any calves. They are the first transgenic offspring of Herman, the world's first transgenic bull. Like their father, the calves carry a gene for the production of human lactoferrin, an antibacterial protein normally produced in human milk. By milking the calves to obtain the protein, the company hopes eventually to have an entire farm pumping out lactoferrin for the world market.

"One of the advantages is that you could take your medicine by pouring the milk into your morning bowl of cereal," says MacQuitty. Lactoferrin may protect against bacterial infections of the gastrointestinal track.

Several biotechnology groups – including GenPharm, Genzyme Transgenics and DNX in the US, and Pharmaceutical Proteins in Scotland – are pushing ahead with plans to produce sophisticated drugs through livestock. Genzyme has a herd of transgenic goats, DNX works with sheep and pigs and Pharmaceutical Proteins with sheep.

Transgenic livestock is created by micro-injecting an artificial gene into a fertilised egg. Essentially, the egg is given extra DNA information. "Assembling the correct pieces of DNA is the difficult part," says MacQuitty.

The egg is then placed inside the female who later bears the calf, lamb or piglet. Once transgenic livestock has been created, the animal is cross-bred with non-transgenic livestock. The hope is that about half the offspring will also be transgenic, although levels are running closer to 40 per cent at most operations.

Companies are looking to genetic farming to cut down on production costs for certain proteins. "We believe the cost savings will be dramatic," says James Geraghty, president of Genzyme Transgenics, a subsidiary of Boston-based Genzyme. "Capital costs would probably be a tenth of what it costs to build a factory, and the unit cost of production would be half of the cost we see today."

Some of the drugs companies are looking to produce are: Factor H, a clotting molecule used to treat haemophiliacs; human haemoglobin, a blood substitute; and human collagen, to treat incontinence.

Producing drugs through livestock may have its limitations. "I think this is only cost effective if you're dealing with proteins you need in large quantities, and with large molecules which are easy to separate out," says John Logan, vice president of research at DNX.

Other companies believe the technique has wider applications. Genzyme is looking to livestock farming to produce drugs that cannot be made in the laboratory. "It may be the only way to produce membrane-bound proteins such as one we're working on for cystic fibrosis," says Geraghty.

DNX is also exploring new options, such as organ production for use in transplant surgery. Because of the severe shortage of human organ donors in the US, organ transplant surgeons are keen to turn to animal organs. But inflammatory proteins of the immune system, known as complement, can destroy the transplanted organ within hours or even minutes.

Complement is normally held in check through inhibitors. To increase the chance of the organs' acceptance, DNX has expressed the human complement inhibitor gene in transgenic pigs. "There's no way to grow an organ in a laboratory," says Logan, "so this is the way to go for organ transplants."

Transgenic farming is still in its early stages. Most products will not even start clinical trials, the first stage on the road to commercial approval, until the end of 1995.

However, there are encouraging signs that the technique will eventually be viable for large-scale drug production. With new generations of transgenic livestock appearing, the genes are seen as increasingly stable. And potential applications for the technique are expanding.

The century's last take-off

Paul Betts reports on next month's introduction of the world's biggest twin-engine airliner

There is a *Guinness Book of Records* quality about the 777, the world's biggest twin-engine airliner which Boeing, the world's biggest aircraft manufacturer, will roll out for the first time on April 9.

The first 300-400 seat airliners are being assembled outside Seattle in the US in a 1,000-acre site with about 98 acres of buildings under one roof. The aircraft will be the last all-new airliner programme developed this century, at a cost of more than $4bn (£2.7bn).

The three leading aero-engine manufacturers – Pratt & Whitney and General Electric of the US and Rolls-Royce of the UK – are scrambling to develop the world's most powerful commercial jet engines to power the 777 and future, even larger, derivatives of the new Boeing widebody airliner.

Since launching the 777 programme four years ago, it has again been "bet-the-company time" for Boeing, say senior executives. The development costs and lead times are so significant that an aircraft manufacturer risks the health of the entire company every time it launches a big new programme, they explain.

"It's certainly a gamble, but the 777 is not as big a gamble as our decision to launch the 747 programme 25 years ago," says Philip Condit, Boeing's president. Part of the reason for Boeing's greater confidence this time is the way the company has changed its approach to developing an aircraft.

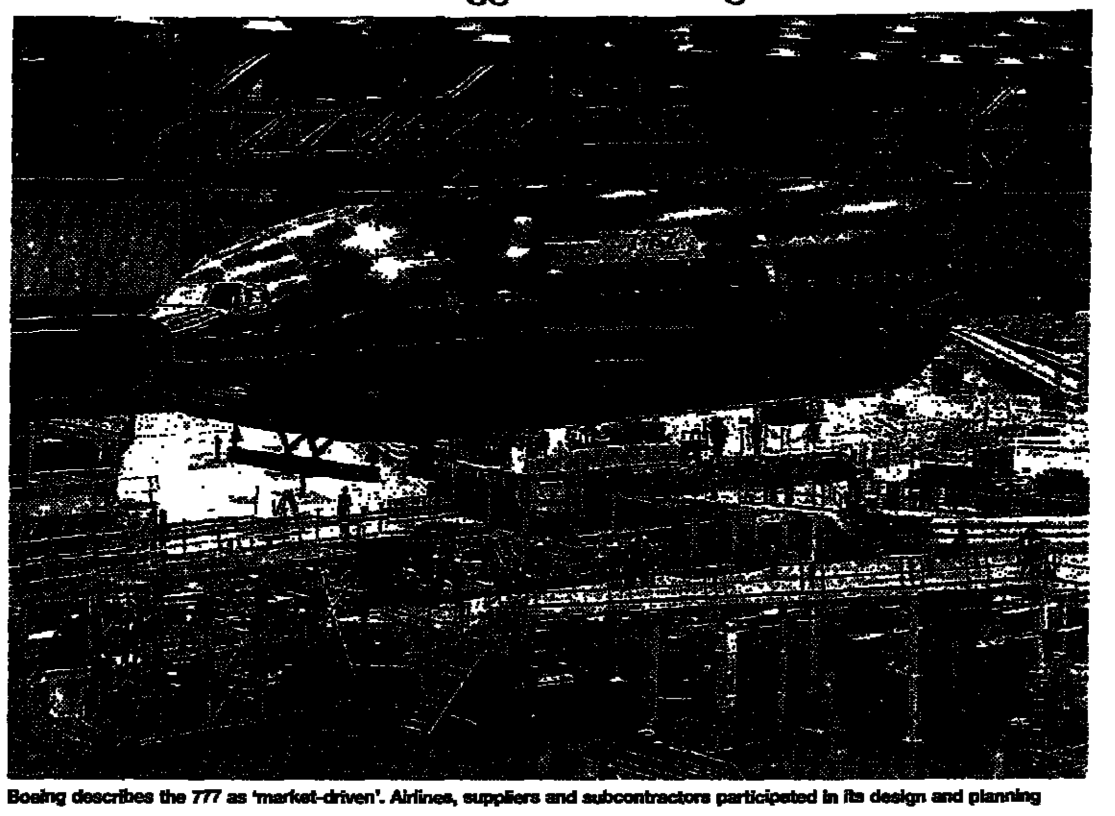
Boeing describes the 777 as a "market-driven" airliner. In the past, the manufacturer felt it knew what was best for its airline customers. "Market planning for a new airliner was often based on the requirements of a launch customer, combined with some rough expectations about future markets," explains Jeff Peace, chief project engineer of Boeing's 777 division.

"The manufacturer would come up with a general idea for a new aircraft, convince an airline to buy it, then design it pretty much around the capabilities and features described by the launch airline," he adds.

With the 777, Boeing adopted from the start a more open stance towards the outside world, encouraging airlines, suppliers and subcontractors to participate actively in the design and planning of the new airliner.

"Not that we did not listen to our customers in the past, but the biggest lesson we learnt was that we often listened to them late in a programme," says Alan Mulally, the 777's general programme manager. "Now, we are listening to them much earlier."

At all costs, the company wanted to avoid the mistakes made five years ago on the development of the



Boeing describes the 777 as 'market-driven'. Airlines, suppliers and subcontractors participated in its design and planning

747-400, the newest version of its 747 jumbo. After failing to listen properly to its customers, Boeing was forced to delay delivery for several months to initial customers because of teething problems and design changes demanded by airlines.

Boeing's new attitude to customers, subcontractors and suppliers also reflected two important changes in the market. The first was the general slump in the civil aircraft business with airlines forced by heavy losses to cancel or postpone millions of dollars worth of new aircraft orders. The second and perhaps even more important factor was the emergence of Airbus Industrie as Boeing's principal long-term challenger.

The European aircraft manufacturing consortium, which has steadily built market share during the past 20 years by launching advanced new aircraft programmes, has been making serious inroads into some of Boeing's traditional customers in the US.

With nearly 30 per cent of the western market, Airbus has sought to leapfrog its bigger US rival by

Airbus pre-empted Boeing by launching a new widebody family of aircraft with the A330 twin-engine airliner

introducing new technological concepts to commercial jets including fly-by-wire electronic controls. It also pre-empted Boeing by launching a new widebody family of aircraft with the A330 twin-engine airliner and its sister aircraft, the four-engine A340, increasingly challenging Boeing's dominance of the large airliner market.

Boeing's response was to go out to the airlines to find out what exactly they wanted for their future fleet requirements. It initially consulted eight (Delta, American and United in the US, British Airways in Europe, Japan Airlines, All Nippon Airways, Cathay Pacific and Qantas in the Asia-Pacific region) to define the 777's configuration and purpose.

It formed specialist task forces to analyse its most important operational aspects, including everything from cargo loading to flight deck layout. It then set up special design-build teams with the 777's three launch customers: BA, All Nippon and United.

BA sent a four-man team to Seattle where they were given access to all Boeing design staff and became deeply involved in the design process. Boeing introduced a similar working relationship with the engine manufacturers and other suppliers. It also formed 235 design-build teams inside the company to enable employees from all company divisions to work together as well as with airlines and outside suppliers. These teams have been sharing a common database to help them communicate quickly.

Barry Gosnold, the head of BA's engineering activities in Seattle, says the Boeing-BA team has led to more than 100 changes to the basic specification of the aircraft. Changes have also been made to improve the maintainability of the aircraft and to ensure that the airliner is "service ready" from the first day it enters into service with BA in the second half of next year.

BA says that among the most significant changes it has made was to persuade Boeing to adopt radial tyres, a device to store all the aircraft's loadable software, and a space-saving galley allowing an additional four passenger seats to be fitted to the cabin.

Another benefit of the intensive customer dialogue was the decision to make about 90 different items traditionally offered as optional features on other aircraft as standard equipment on the 777. This included satellite and global positioning systems, increasingly important aircraft safety and navigational tools which are basic to the 777.

Boeing admits that the way it has designed and developed the 777 is tantamount to a cultural and technical revolution for the traditionally "do it alone" manufacturer. In many respects, it is also a return to the past. As Condit puts it: "We are attempting to recapture the team spirit from the company's early days. In a sense, we're looking back to create the future."

Collaboration is now set to intensify on future aircraft programmes. The two biggest challenges for the industry in the next century will be the development of a superjumbo airliner capable of seating 600 to 800 passengers and a second-generation supersonic aircraft to replace Concorde with a longer range and about three times Concorde's 100 passenger seating capacity. On both these longer term projects, Boeing is already involved in joint studies with other leading manufacturers, including the four European Airbus partner companies, and with potential airline customers.

Ultimately, however, the driving force behind Boeing's new, more open attitude to collaboration is to maintain its 60 per cent share of the commercial aircraft market. "We will be focusing more than ever on our customers' requirements because we don't want to be left behind to allow someone else in," Condit says.

New York Music

Schnittke's broken symphonies

Two new symphonies by Alfred Schnittke, his Sixth and Seventh, were introduced to New York last month in a sudden succession that mirrored, if it slightly exaggerated, his productivity. Since writing them (the Sixth was finished in 1992, the Seventh last July) he has already completed his Eighth Symphony, and his output of the last five years also includes several other big orchestral scores, chamber pieces, and two full-length operas, of which a long-planned *Faust* is scheduled for production next year in Hamburg.

Quite how to interpret this rate of output is one of the Schnittke conundrums. Are we dealing with a Haydn, composing fluently to order, or with a Hugo Wolf, impelled by creative demons? Much has been made of Schnittke's music as reportage on the speed of events in his native Russia. Much has been made, too, of his physical fragility – and indeed he looked sadly aged well beyond his 59 years as he was assisted onto the platform at each of these concerts. But the music is disinclined – perhaps even unable – to explain itself: its very brokenness makes it mute as to causes. What we hear is the wreckage; how it happened is left for us to wonder, if we wish.

Both the new works are broken, wrecked symphonies, but especially the Sixth. It has the usual four movements, with a conventional scale, playing altogether for about half an hour. The contents, though, are weird even by Schnittke's standards. The first movement, for instance, starts and ends with big clusters, but the long interim is thinly scored, and made up of fragments that have no great pretensions: for long periods the stage is held by a few brass instruments in chorales, or by low strings, again often in quasi-liturgical phrases. One remembers that Schnittke's Second and Fourth symphonies were muffled religious ceremonies, but the feeling here is bare and wretched, and the great numbers who piled out of Carnegie Hall after this movement seemed to be making an understandable response.

The Sixth Symphony was written for Mstislav Rostropovich and the National Symphony, who gave this performance; the Seventh, a New York Philharmonic commission being heard for the first time, was composed for another conductor with whom Schnittke has had a long association: Kurt Masur. It is a more compact piece than the Sixth, lasting little longer than twenty minutes, and a more continuous one. There are now three movements, and the first two are both so short as to seem preludial, the opening andante being for strings and its successor turning to the wind and percussion. Then in what emerges as the main movement, the horns quite soon introduce a waltz-chorale that appears to satisfy demands for a principal theme.

But the new symphony is hardly less bleak than its predecessor. Even its continuity is not so much growth as wandering (in the case of the long opening for solo violin) or idling repetition – or finally both at once, as the slow waltz tune is played three times identically by soloists in the far bass (trombone, contrabassoon, double bass). It is a haunting melody, but not a soothing one, and its insufficiency as a gesture of farewell consolation is perhaps its point. Schnittke, living now in Germany, pays homage to that country by encoding German place-names into the second movement, but ironically the notes he gets from "Deutschland" come very close to the DSCH cryptogram with which Shostakovich signed several of his works, and it is to Shostakovich's example that this new symphony, like so much of Schnittke's music, most conspicuously appeals. Shostakovich was, of necessity, a master of musical double-talk: of hollow affirmations, of savage glee. Schnittke opens up several further layers of splitting, and leaves us with music whose motivations are endlessly tangled, music whose increasing austerity has only made it ever more uncertain and unsettling.

Paul Griffiths

Wax sculpture by Medardo Rosso: 'The Flesh of Others', 1883

Master of the fleeting suggestion: photograph of Medardo Rosso

Tactile works in wax and clay

***William Packer** on a surprising and ambiguous retrospective of the work of Medardo Rosso, a contemporary of Rodin*

Medardo Rosso was born in Turin in 1858. A spell of soldiering took him through his early 20s and it was not until he was 24 that he turned seriously to art, entering the Brera Academy in Milan in the summer of 1882. That too did not last long. Barely a year later he had been expelled for insubordination and taken himself off to show at that year's International Exhibition of Fine Art in Rome.

From that moment he was clearly an actor on the international stage, showing his work in major exhibitions at every opportunity – now at the *Salon des Indépendants* in Paris, now in Venice, now in London, at the Albert Hall. He was already travelling widely, and in 1889 he moved to Paris where he was to keep a studio almost until the end of his life. For the next 30 years he was acknowledged with Rodin as the principal sculptor of Impressionism, his work shown throughout Europe. In 1898, when Rodin's *Balzac* was first shown, Rosso was cited as putative influence – their friendship ended soon after. Boccioni and Marinetti saw him as the revolutionary forerunner of Futurism. Upon Rodin's death in 1917, Apollinaire declared him the greatest sculptor alive.

Six years on and the furniture in the Paris studio had been taken by the bailiffs against unpaid rent. He continued to show, mainly in Italy where he was still held in high regard, but the sense now is of a career and reputation in decline. He died in hospital in Milan in 1928, a little short of his 70th birthday, after having had a leg amputated following an accident to his foot.

And now? Rosso's sculpture, these many years past, has been honoured more in the form than the true observance, the work seldom seen and only in the isolated and occasional example. This full – though still quite small – and proper retrospective study is, therefore, of real art-historical moment, a true event.

Whether it gives us the Rosso we might have expected, Rosso the proto-Futurist, the suggestive, symbolic impressionist, is another matter. What we do get is something altogether more ambiguous and surprising, at once more thoroughly old-fashioned and more profoundly radical and prescient than we supposed.

He was never a carver: his materials were those of the modeller, clay and wax, by which the image may be realised directly and quickly, and either left as it is or cast into plaster or bronze. And as a modeller, the young Rosso works soundly enough within the *genre* conventions of the mid-19th century, looking to the *domesticity* of Dalou, to the *symbolism* of Rodin, and perhaps back a little to the satirical figurines of Daumier. But he brings to such work his own peculiar attack, a rapid and tactile expressiveness in the actual working of the clay, which soon enough becomes an end in itself.

It is in this development that his revolutionary quality lies, and which today makes his work so relevant to current practice and preoccupation. What intrigued his contemporaries was the way in which increasingly he came to establish the most fleeting suggestion of head or face, a cast of countenance caught in the wing, with but most minimal apparent intervention on his part. There was the *impression*, to be viewed perhaps from one side of what was manifestly still a lump of stuff. Yet the quality of that image, so beautiful, so delicate and haunting, as though seen through a veil, was what caught the *fin-de-siècle* symbolist imagination.

Rosso's habit was to make several versions of an image in parallel though not necessarily from the same original, now wax, now bronze, now plaster, each as close as possible but still different in its finish. Any original clay model would inevitably be destroyed in any case, in the making of the plaster mould for subsequent casts. Similarly, by the lost-wax process, the wax would be, well, lost. But each material, plaster, bronze or wax, has its particular qualities, and here repeatedly we consider the variations, side by side – the matt, light-absorbent surface of the plaster, the heavy, patinated bronze, the translucent wax.

Imagery apart, what we are left with are these differences, and physical and material differences at that. In noting them, we respond to them for being what they are in material terms of stuff and substance. Here is a chunk of plaster or a wilfully rough concavity of bronze, with a most delicate and sophisticated image on it right enough, but also an inside and an outside, a back and front. *There it is*, not so much for what it might be as for what it is. Take it or leave it. Such is Rosso's modernism as it speaks to us today.

Medardo Rosso: Whitechapel Art Gallery, Whitechapel High Street E1, until April 24, then on to Edinburgh and Leeds – a national touring exhibition from the South Bank Centre, sponsored by British Telecom.

Weekend recitals/**David Murray**

Young soloists take centre stage

There were notable recitals by two young artists this past weekend, but of different orders. At the *Barbican on Sunday afternoon we* had the phenomenal Siberian-Israeli violinist Maxim Vengerov, aged nineteen-and-a-half years. At the Wigmore Hall the night before, the pianist Peter Jablonski – three years older – was the latest "Outstanding Young Artist" in the Marks & Spencer series. Jablonski was fluent, finely sensitive, technically well-schooled and full of maturing promise. Vengerov, however, is something extraordinary, so preternaturally "natural" a violinist as to compel rapt attention and awe as well as delight.

As is his wont, he chose an eminently serious programme, leaving spectacular feats for the Wieniawski *Polonaise* at the end and for his encores – just two Kreislers and a sort of frantic *galop* by Bazzini, all dazzlingly brilliant. (At the Wigmore last March, he spun off showpiece encores for some 40 minutes.) Vengerov is a glorious champion of such old-fashioned stuff, as you would expect of a Compleat Violinist like him. Almost invariably it was composed by master-performers, who knew better than anybody how to exploit the possibilities of the instrument to the limit. *He does them full honour.*

In classical works he exercises respectful self-restraint. Here, he began with Mozart's K. *305 Sonata* in A, *in which* the piano almost shades the violin, and then proceeded to old Brahms's lovely, vernal Sonata in G. Though Vengerov is fortunate in his current piano partner – Itamar Golan, no mere accompanist but an imaginative virtuoso in his own right – it took them most of the recital to find a just balance in the Barbican acoustic.

In the Mozart, designed for a much lighter "harpsichord or fortepiano", and sometimes in Brahms too, the piano overweighed the violin. After the interval, when perhaps somebody had warned them, *Golan was self-effacing to a fault in* Prokofiev's visionary F minor Sonata, black and brooding. Little harm was done, for Vengerov pursues a musical line with such full-hearted intensity, always smoothly controlled but speaking volumes, that one has to listen like the Ancient Mariner's guest. He thinks in very long paragraphs, not just phrases. In fact his seamlessly articulate *legato* in Brahms risked leaving too few breathing-spaces for comfort – but while it went on, nobody could conceivably complain.

Until he let his hair down for his sensational Wieniawski and the encores, it was the Prokofiev that displayed Vengerov's superb gifts at fullest stretch. Jablonski *too was at his best in Prokofiev, the angry,* nervy Seventh Sonata; it was impressively taut and searching, if without the ultimate degree of scathing force.

Similarly, the first and last pieces of Debussy's Book I *Images* built admirably toward climaxes which proved rather mild when they arrived – like Liszt's fustian "St. Francis Walking on the Water", too loosely aqueous (and too foxed by finger-slips). In four Scarlatti sonatas Jablonski offered less fantasy and less vital "ping" than Leon McCawley two weeks ago, but a subtler, more delicate sound-palette. His F minor sonata K.466 was beautifully imagined, a transparent dream of melancholy.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: *Gidon* Kremer and Martha Argerich play Beethoven violin sonatas. Tomorrow: Isabelle van Keulen violin *recital*. Thurs, Sat: Takacs Quartet. Fri: *David* Geringas cello recital. Sun afternoon: Netherlands Bach Orchestra and Chorus in Bach's *St Matthew Passion (24-hour* information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Thurs: *Alberto Zedda* conducts revival of Dario Fo's *production* of Il barbiere di Siviglia, with cast led by Vassily Gerello, Monica Bacelli and Hong-Shen Li *(in repertory till March 26). Fri*, Sun next Mon, Wed, Thurs: Nederlands Dans Theater in two programmes, including choreographies *by* Hans van Manen and Susanne Linke (020-625 5455)

■ ANTWERP

de Vlaamse Opera Tonight, Thurs, Fri, Sun afternoon: Evelino Pido conducts Guy Joosten's *production* of La Cenerentola, with Alison Browner as Angelina (03-233 6685)
deSingel Tonight, tomorrow, Fri, Sat: Jan Fabre solo theatre show entitled Who shall speak my thought (03-248 3800)

■ BASLE

● Garcia Navarro conducts Barcelona City Orchestra on Thurs at the Casino, with music by Gerhard, Falla and Ravel (061-272 1176)
● Friedrich Cerha conducts Hans Hollmann's *new production of* Lulu, *opening on* Sun at the Stadttheater (061-295 1133)

■ BRUSSELS

Palais des Beaux Arts Fri evening, *Sun afternoon: Jun'ichi Hirokami* conducts Belgian National Orchestra in works by Prokofiev, Schnittke and Tchaikovsky, with cello soloist Torleif Thedeen. Sat: Carl Davis conducts RTL Symphony Orchestra. *Sun evening* (Eglise des Minimes): Hilliard Ensemble in Renaissance *vocal music* (02-507 8200)
Monnaie Sat: Gianluigi Gelmetti conducts first night of Luca Ronconi's *new production of* Rossini's Otello, starring Chis Merritt and Lella Cuberli. Repeated March 8, 10, 13, 16, 19, 22, 24, 27 (02-218 1211)
Théâtre National A Marivaux double-bill, comprising L'Ecole des Mères and Les Acteurs de Bonne Foi, opens *tomorrow and runs* daily except Mon till March 12. Directed by Claude Stratz (02-217 0303)

■ CHICAGO

THEATRE

● The Night of the Iguana: Robert *Falls directs Tennessee Williams'* late play, with William Peterson as the debased minister drawn to a New England spinster, played by Cherry Jones. Opens on Fri (Goodman 312-443 3800)
● The Mesmerist: Ara Wilson's play, set in 1884 India, about the leader of a spiritual society who is investigated when her mystical powers are called into doubt. Till April 3 (Steppenwolf 312-335 1650)
● The Importance of Being Earnest: Oscar Wilde's classic comedy directed by Nicholas Ruddell. Till April 3 (Court 312-753 4472)
● Joseph and the Amazing Technicolour Dreamcoat: the Andrew Lloyd Webber musical *directed by Stephen Pimlott, with* former teen heartthrob Donny Osmond as the Bible's flashiest dresser *(Chicago 312-902 1500)*
● Second City: the improvisational comedy craze was born in Chicago, and Second City is still its hub. Catch a comedy revue on the main stage or the company's smaller theatre (Second City, 312-337 3992)

■ GENEVA

Victoria Hall Tonight, tomorrow: Armin Jordan conducts Suisse Romande Orchestra and Pro Arte Chorus in Verdi's Requiem (022-311 2511). Fri: Garcia Navarro conducts Barcelona City Orchestra in works by Gerhard, Falla and Ravel (022-310 6611)
Comédie Opening tonight, Maly *Theatre of St Petersburg presents* a two-week run of its widely-acclaimed theatre spectacle entitled Claustrophobia (022-320 5001)
***Grand Théâtre** The next opera* production is Billy Budd, opening on March 15 with a cast led by Robert Tear and *Willard* White (022-311 2311)

■ LAUSANNE

Casino de Montbenon Fri: Andrew Litton conducts Lausanne Chamber Orchestra in works by Weber, Strauss and Poulenc, with piano soloist Brigitte Engerer (021-312 6433)
Théâtre de Beaulieu Sat and Sun: Nederlands Dans Theater in choreographies by Jiri Kylian. March 13-20: Gluck's Iphigénie en Tauride (021-312 6433)

■ VIENNA

Staatsoper Tonight: La traviata with *Nancy Gustafson, Keith Ikaia-Purdy* and Juan Pons. Tomorrow, Sat, next Thurs: Samson et Dalila with Baltsa and Carreras. Thurs, next Mon: L'Italiana in Algeri with Vesselina Kasarova and Rockwell Blake. Fri and Sat: Kenneth MacMillan's ballet Manon. March 18, 21, 23: Carlos Kleiber conducts Der Rosenkavalier (51444 2955)
Musikverein Tomorrow: Leio *University Wagner Society Orchestra* of Japan plays Takemitsu, Ravel and Mahler. Thurs: Martin Haselböck conducts Wiener Akademie in works by Haydn and Hummel. Fri: Kazimierz Kord conducts Warsaw National Philharmonic Orchestra in Brahms and Shostakovich, with *piano soloist Valery Afanassiev. Sat* and Sun: Wolfgang Sawallisch conducts Vienna Symphony Orchestra in Haydn, Apostel and Schumann. Sun afternoon, next *Mon evening: Rudolf Buchbinder* is piano soloist with Tonkünstler Orchestra. March 11: Alfred Brendel (505 8190)
Konzerthaus Fri: Ivan Fischer conducts Austrian Radio Symphony Orchestra in works by Pärt and Bruckner. Sat afternoon, Sun morning: Vienna Chamber Orchestra plays Shostakovich and Schubert. Next Mon: Dmitri Bashkirov piano recital (712 1211)
Messepalast Tonight, tomorrow, Thurs: Compania Nacional de Danza in choreographies by Nacho Duato. Sat, Sun, next Tues, Wed: Cloud Gate Dance Theatre (586 1676)

■ WASHINGTON

OPERA/CONCERTS

● Washington Opera ends its season with Un ballo in maschera *and Madama Butterfly, in repertory* at Kennedy Center Opera House till March 20. The Verdi cast includes *Richard Margison* and *Lisa* Gasteen. Yan Yan Wang sings the title role of the Puccini (202-416 7800)
● Evelyn Glennie is percussion soloist with National Symphony Orchestra, conducted by Rostropovich, at Kennedy Center *Concert Hall on Thurs, Fri, Sat and* next Tues (202-467 4600)
● James Paul conducts Baltimore Symphony Orchestra on Fri and Sat at Baltimore's Joseph Meyerhoff Symphony Hall, with violin soloist Julian Rachlin. The programme includes Bruch's Violin Concerto *and Elgar's Enigma Variations* (410-783 8000)

THEATRE

● *My Astonishing Self: Donal* Donnelly's one-man show about George Bernard Shaw can be seen on Fri, Sat and Sun at Folger Shakespeare Library (202-544 7077)
● Breaking the Silence: Stephen Poliakoff's 1984 play about the *struggles of a family on the run* from the Russian Revolution. Till March 20 at Church Street Theater (202-657 2465)
● Othello: Shakespeare's play *is directed by Irene Lewis at Centre* Stage's Pearlstone Theater. Till March 20 (410-332 0033)

■ ZURICH

Kongresshaus Tonight: Montserrat Caballé song recital (01-261 1600)
***Tonhalle** Tonight, tomorrow, Thurs,* Fri: Horst Stein conducts Tonhalle Orchestra in works by Mendelssohn, Weber and Reger, with piano soloist Denes Varjon. Sat: Eduard Muri *conducts South-West German* Philharmonic Orchestra and Chorus in works by Beethoven and Rossini. Sun: Bach's Matthew Passion. March 13: Alfred Brendel (01-261 1600)
Opernhaus Tonight: Leopold Hager conducts *Bruckner's* Eighth Symphony. Tomorrow, Sat: Nikolaus Harnoncourt conducts Jürgen Flimm's production of Alcina. Thurs, Sun: Le nozze di Figaro with cast *headed by Ruggero Raimondi* (01-262 0909)
Schauspielhaus Tonight, tomorrow, Thurs: Dürrenmatt's The Visit. Fri, Sat, Sun: Peter Shaffer's 1965 play *Black Comedy (01-221 2283)*

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
***NBC/Super Channel:** FT* Reports 2230
Sky News: FT Reports 0430, 1730;

Quentin Peel on Germany's runaway public sector debt

Up, up and away

When the buses and trams stopped running in many parts of Germany for a couple of hours early yesterday morning, most commuters reacted with calm and good humour. They were only witnessing a brief rash of token strikes, after all, and nothing like the widespread chaos caused by an 11-day stoppage called by the public sector trade unions two years ago.

This time nobody believes that the unions will go that far. Not only are they operating against a background of sharply rising unemployment; they are negotiating with a bunch of employers whose coffers are visibly empty.

For once, the public sector pay round, covering some 3.5m workers ranging from bus drivers to garbage collectors, school caretakers and postal workers, has united the normally quarrelsome ranks of the German political establishment.

From the ruling conservative-liberal coalition in Bonn, through the 16 state governments, to the whole multiplicity of local authorities, ranks have closed in favour of an outright pay freeze.

At every level of government in Germany, budgets are under extraordinary pressure. It is not just the federal government in Bonn that is desperately struggling to keep its net borrowing under DM70bn (£27.2bn) for the second year in succession. The wealthy west German states will this year be forced to borrow DM28.5bn on the capital markets, for the first time exceeding their all-time record deficit of DM26.1bn in 1981.

In east Germany, the five "new" federal states which began life at unification in 1989 without any debts at all, now expect to borrow DM28bn this year. By the end of 1994, they will have run up a debt mountain of DM76bn.

As for the local authorities, their combined net borrowing this year will add another DM22bn to the total, in spite of a severe squeeze on services.

At the weekend, Mr Theo Waigel, Germany's irrepressible finance minister, sought to put the best possible gloss on the situation when he told his Group of Seven colleagues about the prospects for economic recovery.

The Bonn government will cut its budget deficit from the current 3.5 per cent of gross domestic product to less 3 per cent by 1995, he said – and thus conform once again to the level laid down in the Maastricht treaty for European economic and monetary union.

What he failed to mention was that at precisely the same time – in 1995 – the overall public sector debt will sail through another Maastricht convergence criterion, topping DM2,000bn, or rather more than 60 per cent of GDP.

It is a prospect that is causing concern right through the German economic and business establishment, not least because the process seems to be unstoppable.

The Bundesbank warned in its latest monthly report that the total public sector debt was approaching the Maastricht ceiling "by leaps and bounds".

According to a comprehensive analysis just published by the German chambers of commerce and industry (DIHT), the public sector debt will reach DM2,163.5bn in 1995, or 62.7 per cent of GDP.

What the DIHT is seeking to launch is an entire debate on the nature of public spending, and the need for wholesale structural reforms, instead of the piecemeal approach of annual savings packages adopted by Mr Waigel and his colleagues in Bonn and the federal states.

In the first 30 years of the German federal republic, the public sector accumulated a total debt of DM500bn, the DIHT says. In just five years since German unification, the republic will have added double that amount, pushing the debt burden up from DM1,039bn in 1990 to the forecast DM2,163.5bn next year.

Unification is obviously one overwhelming factor for the surge. The other is the explosion of social spending. The last straw has been the addition of east German debts to the total: DM275bn from the Treuhand privatisation agency will be taken over by the federal government next year, and some DM125bn in debts from the former East German housing fund. Add to that some DM80bn in the debt burden of the combined German railway system, assumed from last January 1, and the DM2,000bn barrier will be easily surpassed.

What concerns the DIHT, however, is not just the scale of borrowing, but the purpose to which it is put. For the level of consumption in public spending has been steadily increasing at the expense of investment spending.

In the budgets of the federal states, for example, more than 82 per cent of their combined spending of DM456bn last year was on the current account. Of that, DM175bn, or 38.5 per cent of the total, was on the wage bill. Another DM71.5bn was on administrative expenses. "The Länder," says the DIHT, "are becoming little more than labour-intensive service enterprises."

The other main concern is that Mr Waigel's hope of bringing his net borrowing back within 3 per cent of GDP is based on over-optimistic assumptions of future economic growth.

The finance ministry's medium-term plan assumes a nominal growth rate of GDP of 6 per cent a year up to 1997, and a 3 per cent annual spending limit. On the basis of this the total net increase in debt would be DM288bn between 1993-97. The extra interest rate burden would add a further DM17.3bn, assuming a 6 per cent interest rate.

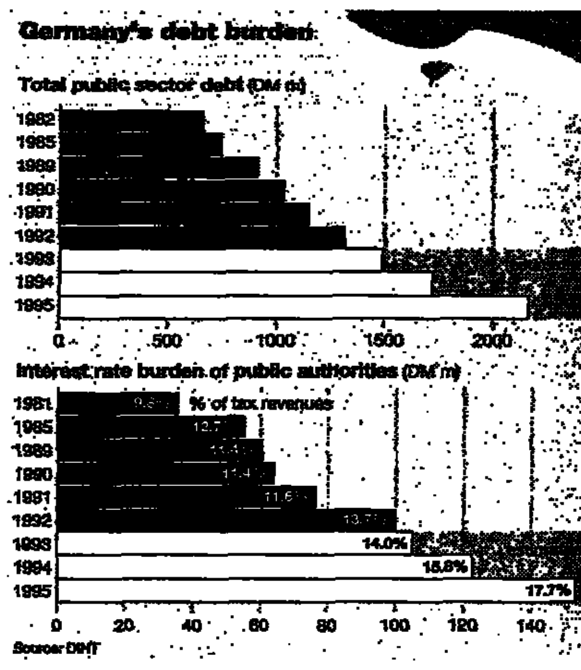
Yet if the nominal growth is only 5 per cent, the accumulated deficit would hit DM425.6bn, and the extra interest burden would total DM25.5bn.

It is a grim prospect for whichever party or parties win the coming national elections in October, let alone the various state and local elections in the offing.

The one man who is currently seeking to make political capital out of it is a real outsider: Mr Jürgen Möllemann, the former economics minister, now languishing in the wings of the Free Democratic party, plotting to get back into power.

He has published a radical plan which would slash the number of federal government ministries from 18 to 12, the number of members of parliament from 662 to 500, and the number of federal states from 16 to 7. He wants to slash subsidies to ailing sectors – such as agriculture – and increase charges for public services across the board, like energy, water and sewage.

The trouble is that he is largely a discredited force, in his own party and in the ruling coalition. He is unloved by the opposition SPD. So the probability must be that the debt will go on soaring, and radical solutions be rejected in favour of piecemeal savings.



Source: DIHT

Joe Rogaly

Why IRA eyes are smiling

The peace plan for Northern Ireland put forward by Mr Albert Reynolds and Mr John Major has so far benefitted only the IRA and Sinn Féin, its political wing. Optimists chirp that this is part of a process that may lead to a ceasefire. The rest of us can only grit our teeth and bear it.

The Irish and UK prime ministers will say that their joint declaration of December 15 stands. It is a permanent invitation to the terrorists to lay down their arms and pursue their aims by democratic means. Maybe they will, but there is no obvious reason why they should hurry. The president of Sinn Féin, Mr Gerry Adams, is floating high on the oxygen of publicity. The IRA has not ceased its violence. Its political front resists every opportunity to condemn the use of the bomb and the bullet, let alone undertake to secure their abandonment. While the nationalist side stands armed and firing, the equally reprehensible "loyalist" terrorists retaliate. Yet London, Dublin and soppy liberals everywhere dance around Sinn Féin, in a ritual of courtship that must bring a smile to the face of their president.

The list of concessions wrung out of the Irish and British governments is depressing. Restrictions on broadcasts which had been in force for 23 years have been lifted by the Irish government. This leaves the UK exposed, as it maintains the absurd rule that Mr Adams and his cohorts may be seen, but not heard, on TV. The use of dubbed actors' voices is a propaganda victory for Sinn Féin every time one of its spokesmen appears. This "censorship" has enhanced Mr Adams's reputation in US eyes.

He was crowned media king for 48 hours after being granted a visa by US President Bill Clinton, against the wish of the British, but not the Irish, authorities. It may be that he will not be given a second opportunity to do the rounds of the New York TV studios unless he first renounces violence. Perhaps Mr Major is being assured of that during his visit to the White House this week. It matters not, either way. Mr Adams has the cameras at his fingertips. If he cannot go to them, they will come to him. His ability to say that his voice may not be heard in Britain helps, not hinders, his performance.

For the moment, he is a star of global communications. About a thousand delegates attended the Sinn Féin conference in Dublin at the weekend. The proceedings attracted 260 journalists from all parts of the world. Mr Adams's lengthy address was peppered with protestations of a desire for peace. He said that 3,290 lives had been lost in "the war" since 1969. He calculated that the IRA was responsible for precisely 53 per cent of the total deaths. His striking arithmetic omitted only the few words necessary to end the killing.

If Adams cannot go to the cameras, they will come to him. His ability to say his voice may not be heard in Britain helps his performance

Mr Adams had asked for "clarification" of the Reynolds-Major declaration. The Irish prime minister had responded amply; his British counterpart not so. Yet Mr Major did his best in an article in the Irish News last Friday. Mr Adams wants Britain to "persuade" the Protestants to join a united Ireland; Mr Major cannot agree. Would the same be true of a Labour prime minister? Mr Adams demanded that the Unionist "veto" on any future constitution be lifted; the UK continues to explain patiently, as has Mr Reynolds, that self-determination means that no solution can be imposed. Most Irish voters support that basic principle.

All of this must be music to Sinn Féin ears. It is not getting its way, but it is promoting its arguments. It is stringing the rest of us along, squeezing the last drops of advantage out of the declaration. A small minority party both north and south, it has repeatedly failed at the ballot box. In general elections in 1992 it won less than 2 per cent of the votes in the Irish republic and less than a tenth of the vote in Ulster. That is barely a third of the potential Catholic turnout. Recent opinion polls suggest that an overwhelming majority of the Irish people want the violence to end.

Mr Adams protests that Sinn Féin is not the IRA, but if he had no influence over the latter there would be no reason to pay attention to him. His tiny party has been out in the cold, excluded from democratic politics by its relationship with the men of violence. Now it is a player on the international stage, the subject of respectable-sounding discourse, albeit at arm's length, with the two prime ministers who carry responsibility for the future shape of Ireland.

There was a further setback yesterday. Mr Major, with wobbly support from Mr Reynolds, has been careful to maintain the acquiescence in the whole strategy of the principal unionist party. By not opposing it, the Ulster Unionists, led by Mr James Molyneaux, have kept the so-called peace initiative afloat. In so doing he has risked losing the votes of his natural supporters. Yesterday Mr Molyneaux pointedly rejected the notion of multi-party talks at which representatives of his party and of Dublin were both present. He prefers to get on with the establishment of an Ulster assembly which, once elected, could do the talking. One strand of the London-Dublin strategy has thus been snapped. It may eventually be restored. Meanwhile such unionist posturing helps make Mr Adams's point for him.

In Irish eyes the above picture may seem less dismal than it does in London. The real debate may be within Sinn Féin. The leaders of the latter are masters of delay, but they need time in which to extract what they can from the two democratic governments. Then, say the starry-eyed, they will call a ceasefire. Only unionist impatience, or emotional outbursts by influential Tory backbenchers, could upset that timetable. Perhaps. Meanwhile London and Dublin will search for a move they can make on their own. It could be hard to find.

There is no case for withdrawing the Major-Reynolds declaration, which is a statement of principle that removes all props from the arguments favouring violence. Talking to Ulster's democratic parties about a devolved assembly was made more difficult by Mr Molyneaux yesterday, but it is not impossible. Publishing the proposals worked up by Mr Adams with Mr John Hume, the leader of the mainly Catholic Social Democratic and Labour party might help. What else? Britain and Ireland can only wait for peace. They have waited 25 years. However awful, they could withstand another.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No rationale for price controls

From Dr William Wallace.

Sir, Christopher Johnson's summary of the National Commission on Education's proposals (Personal View: "Lesson in maximising human capital", February 23) proposes to introduce market principles to higher education funding, through recouping some of the additional earnings which successful graduates can hope to make in later life. I am puzzled that he should stumble over his logical conclusion, that universities should in turn be allowed to charge students what the market will bear.

The government's current resistance to "top-up" fees, which Mr Johnson supports, is an oddly socialist position. "It would," he tells us, "avoid the most sought-after universities using the scheme ... further to enhance their relative advantage." But he offers no rationale for this imposition of price controls, which is likely in the long run to level down the quality of the best universities through limiting their ability to raise income to match their necessarily higher expenditure.

The impression given is of a poorly thought-out tactic intended to avoid protests from middle-class Conservative voters, without considering its implications for higher education strategy. Does the government want good universities to get better – or does it wish to level down to a uniform pattern of mass higher education?

If market principles are to be applied, there is *no* case for government regulation to impose uniform fees across almost 100 universities. If Gatwick Express is allowed to charge more for getting people there faster than Network South-East, there is no justification for refusing to allow Oxford to charge more for offering a premium service.

William Wallace,
St Antony's College,
Oxford OX2 6JF

Prime time for private funding

From Mr Ivor Kenna.

Sir, Your editorial comment ("Private finance", February 25) says that private finance for public capital projects has yet to show any real progress. Institutional investors prefer stock exchange securities with proven track records.

A former president of the Institute of Actuaries and chief actuary to the Prudential, Frank Redington, said, in a lecture on April 19 1977: "The net amounts passing between industry and long-term savings are small. To give teeth to the point, in the 11 years 1965-75, industry raised £6bn in new long-term capital, but it repaid £5½bn in cash acquisitions (takeovers, trade investments, etc). The net requirement of £½bn compared with the growth of £24bn in institutional funds over the same period."

The £23½bn went into the purchase of already existing stocks and shares. It could not affect the income-earning potential of the underlying companies at all. If this money had gone into public capital projects, the country could have had new road and rail systems, the second Severn Bridge, etc. The institutions would have had the income from all these projects.

A similar situation exists today. There is no time to lose in investigating the position. As the Labour party document points out, "there are plenty of competing capital projects at home *and* abroad" (my emphasis).

Ivor Kenna,
72 Compton Street,
London EC1V 0BN

Capital reform for Lloyd's

From Mr J H Murray Willis.

Sir, Reform is due for the Lloyd's method of allocating capital to syndicates by queueing or, to quote the Lex column (February 19), granting of "grace-and-favour indulgence". Its replacement with the adoption of a value/trading system for syndicate shares would bring an improvement in efficiency of the market for the benefit of all Lloyd's investors.

Corporate members, whose share prices reflect value for their 1994 account syndicate participations, have no grounds for objection to this. Indeed, the greatest benefit professional corporate investors can bring to Lloyd's is the demand for the introduction of further investor rights enjoyed in other capital markets.

J H Murray Willis,
Oakwood Underwriting Agencies,
85 Gracechurch Street,
London EC3 0BH

Case for stricter accounting of German corporations

From Mr Thomas Hein,

Sir, With reference to John Craven's article (Management: "Testimony to the German system", February 18), enthusiasts of the German model of corporate governance have long praised the system for its allegedly superior long-term performance. Mr Craven, chairman of merchant bankers Morgan Grenfell, a Deutsche Bank subsidiary, now claims that the German model merits praise for its superiority against others with respect to its capacity for short-term handling of corporate failure, like the one that occurred at Metallgesellschaft AG.

What Mr Craven can book as a natural advantage in the successful rescue of Metallgesellschaft AG is seen by many in this country as the cornerstone of an organised system of unaccountability that has created much of the rigidity and stagnation that we face in German society. The talk here is of the virtually closed and highly centralised system of decision-making in the German model of corporate governance.

There is an urgent need to end the cosy relationships in German corporatism and to remind everyone of the individual responsibility owed to a business. It is not acceptable that public banks, as occurred in the rescue of Metallgesellschaft AG, are actively engaged in securing the gambling risks of badly controlled managers from private corporations. Since the current German model of corporate governance seems to be built on weak moral grounds you should not be surprised to hear more energetic calls for stricter accounting rules.

Thomas Hein
Lehrter Strasse 50
10557 Berlin

Belief, claims and facts on the Catholic Church

From Mr Norman William Smith Jnr.

Sir, So many mis-statements are contained in the Very Rev Hugh Dickinson's article, "Not all roads lead to Rome" (February 12).

His claim of a "steady stream" of American Catholics into the US Protestant Episcopal Church conflicts with that denomination's documented loss of almost one-third of its membership over the last decade.

His assertion that "the bodily assumption of the Virgin Mary into heaven is a belief necessary for salvation" misrepresents the role of dogma in the Catholic Church. He coins the phrase "Papal fundamentalism" (without even bothering to define the term) and then darkly equates it with "biblical fundamentalism". Is it really "equally oppressive" to be asked to believe: a) that God preserved the body of the Virgin Mary from earthly corruption, and b) that God created the world in six calendar days?

He characterises the Papal ban on contraception as an "outrage against conscience and reason and is known to be by the majority of Roman Catholic lay people and priests". True, a majority of Catholic laity appears either to dissent from or otherwise to disregard the teaching; but it can only be a small, small minority that characterises it an "outrage".

Dr Dickinson attributes the stability of faith in the Catholic Church to an "absolute authority ... [that] can never admit that it was wrong". But this overlooks the more basic point that, if Christ's teachings on faith and morality are themselves authentic, and if one believes that Christ protects "the Church" from "error", one would assume a fairly consistent and uniform interpretation down through the centuries, whether or not its structure was "authoritarian".

Whenever any man, theologian or scientist, changes his views, he necessarily begs the question: were you right then or now? For a "church" to denigrate the beliefs of its ancestors in faith can only prompt the same question.

Organised religion, whether Christian or otherwise, has been characterised as a union of faith, morality, and liturgy. True, one can identify "churches" which trivialise faith and morality. Shinto presents the best case. But the American experience suggests that the "market" for such a "church" is extremely small. In diminishing the importance of belief and morality, the Anglican Church is pursuing a "market niche" of small dimensions. A liturgy, regardless of how "Catholic", will not sustain its membership.

Finally, as in an earlier piece on Bishop David Jenkins, he betrays a deep antipathy to any "faith" not buttressed by demonstrable scientific evidence.

But how different this is from the attitude of Christ Himself, for whom "faith" was superior to verified knowledge (John 20:29).

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Russia's move in Bosnia

It was strangely obliging of the Bosnian Serb airforce to provide Nato with such a clearcut *casus belli*.

Had the Serbs rejected last month's ultimatum, or resumed shelling Sarajevo after the ultimatum expired, Nato would have had to launch air strikes against Serb weapons in order to retain any credibility. But by doing so in the *teeth of strong Russian warnings*, it would have risked a very serious crisis both on the ground and in the UN Security Council.

As it was, both the Serbs and Nato were spared that confrontation by the Russian intervention. That left an ambiguous situation in which no one was quite sure who had won. Now, by a flagrant violation of the no-fly zone, the Serbs have allowed Nato to establish its credibility unambiguously, but also in circumstances of indisputable legality. Last March the Security Council explicitly authorised "member states ... acting nationally or through regional organisations or arrangements", to use force against aircraft violating the NFZ.

Russia voted in favour of that resolution, and yesterday the Russian foreign ministry supported Nato's action, while awaiting "clarification" of the aircraft's identity, which the Bosnian Serb command has tried to disclaim. Thus the Serbs appear to have embarked on a strategy of escalation without bothering to secure the support of their Russian protectors.

Already involved in a joint onslaught with the Croats on the Moslem enclave of Maglaj, yesterday they also launched an intense heavy artillery attack on the town of Tuzla and its airport, which the UN is hoping to reopen next Monday. In addition, their chief of staff, General Manojlo Milovanovic, said he would use weapons against aid convoys if the UN commander, General Sir Michael Rose, acted on his decision to send *them through Serb lines under* armed escort without applying for Serb permission.

All these actions are clear provocations to both the UN and Nato, particularly the shelling of Tuzla (supposedly one of the UN's "safe areas") and its airport. Reopening the airport was the object of Nato's last ultimatum but one – though it was inexplicably omitted from the more recent one, the first to set a specific deadline. Nato is unlikely to react with immediate air strikes, but Gen Rose may well call for air support if Gen Milovanovic carries out his threat to attack UN-escorted convoys.

The Serbs are probing Nato, but thereby implicitly also testing the limits of Russian support. This may actually be useful to Nato, which needs to know how far it can count on Russia to moderate Serb behaviour. The correct response for Nato at this stage is to hold back from further air strikes unless the provocation is very direct (further violations of the NFZ, or renewed shelling of Sarajevo), while asking Russia to use its influence with the Serbs so that further ultimatums are not necessary.

Some hedge

Hedge funds make splendid scapegoats for the recent turbulence in global markets. But is one of the unstated risks in their frenetic and highly leveraged operations that their importance is being exaggerated?

The size of the foreign exchange market is such that it seems implausible that even Mr George Soros of Quantum Fund fame could have extracted sterling from the exchange rate mechanism single-handed – and we only have Mr Soros's word for the amount of profit he made in speculating against sterling. If rumours of huge bond market losses among the hedge funds in recent days are true, the main victims, apart from the managers, will be rich individuals who knew what risks they were taking when they entrusted their money to these off-shore buccaneers. At first sight, then, it may seem odd that the Bank of England, whose concern in these matters is primarily to do with systemic risk, should be looking into the issue.

Yet the central bankers cannot afford to ignore the likelihood that hedge funds are often the counterparties of the commercial banks. In that sense they may be systemically important. And the only undisputed facts about these private pools of capital is that their managers borrow to speculate, while revealing little information about their financial activities.

Much of what they do takes place not in the cash markets but in derivatives. This, too, is an opaque and highly leveraged part of the global securities system, since much of the dealing takes place in over-the-counter markets. The precise location and extent of the risk is not always easy to identify. There is thus obvious scope for the kind of problem that arose with the collapse of the Herstatt bank in the 1970s or with the difficulties of Drexel Burnham in the 1980s, where central bankers felt obliged to help close out the US investment bank's positions.

Estimates of hedge fund capital range from $30bn to $80bn. With leverage, that could readily imply that they are taking positions in the markets of $500bn upwards. But since there is no adequate definition of the genus, it may be that such informal industry estimates overstate the sums involved by including funds run by more conventional managers.

The immediate need is clearly for information about counterparty risk in the commercial banking system, in order to establish how the banks are controlling their exposure to the hedge funds. If the exercises now being conducted in Britain and the US indicate that the risk is exaggerated, so much the better. If not, and the data permit, the case for tougher capital requirements within the existing capital regime of the Bank for International Settlements will be overwhelming. Where rich individuals are being seduced into speculative mania by hedge fund gurus whose credentials remain obscure, it seems all too plausible that the world's bankers will not be far behind.

New-look TUC

Founded in 1868, Britain's Trades
...n Congress is "relaunching"
...he need is for a new prod-
...r than new wrapping.
... last decade, the trade
...ment's central body
...d, has generated
...ound no takers
...style bureau-
...e voice of
...ernment.
...unch is a
...ese facts.
...neral sec-
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parties other than Labour at the last election.

But to justify its existence a trade union centre, like a national employers' organisation, needs to contribute expert and constructive views to the public policy debate about workplace issues, and to lead rather than just reflect the dialogue within its member organisations.

Mr Monks needs to make a splash on issues like flexible labour contracts, the changing shape of public sector employment and the need to control wage inflation in the economic recovery. These are all controversial matters within TUC-affiliated unions. Although Mr Monks represents a return to the quiet, technocratic style of Len Murray, individual unions resent being lectured by the TUC and some are already uneasy at the speed of the current reforms. The emergence of the super-unions – such as Unison in *the public sector – may compound* the problem as these organisations acquire larger political ambitions in their own right.

The broader difficulty underlying the relaunch is the lack of a clear concept of modern trade unionism. The need is for a trade unionism that transcends collectivism, but which makes an assertive contribution to fostering a ... but efficient framework of ...r market regulation and cor... law at a time when smaller, ...-sector enterprises are of ...ing importance. If Mr ...ils, the TUC may well be have had its day.

Greater than the sum of his parts

Can HSBC Holdings persuade doubters in the City that global commercial banking makes sense, asks **John Gapper**

Sitting in his office overlooking the muddy Thames, the chairman of Britain's second most valuable company vents a characteristic flash of irritation at the stockbrokers massed behind him in the City. "The first view was 'Here is this bank from Asia. They have got these huge profits, but *look at their track record in Australia*, look at America. They can't manage *any* bloody thing.' Well, my team and I have got to prove those detractors wrong," says Sir William Purves.

For most of his working life, the 63-year-old expatriate Scot did not have to worry overmuch about City institutions. The chairman of the Hongkong and Shanghai Bank answered only to the retail investors of Hong Kong and a supportive board, whose non-executives traditionally came from the UK colony's trading companies. "Going back a few years, I don't suppose I looked at the bank's share price more than once a month, or something," says Sir William, with a touch of nostalgia.

But things have changed since the Bank of England insisted that Sir William shift its headquarters from a glamorous tower by Hong Kong harbour to an undistinguished blue-tinted block near Tower Bridge. The £3.9bn acquisition of Midland Bank – the fourth-largest UK clearing bank – in a contest with Lloyds Bank 18 months ago not only transformed Hongkong and Shanghai into a global banking group called HSBC Holdings, but exposed it to unaccustomed scrutiny.

After a series of flawed attempts to diversify its retail banking activities around the world in the 1980s, the boom in its south-east Asia base combined with the Midland acquisition has given Sir William a chance to lay the doubts to rest before he retires. To do so, he must not only show that HSBC's core of 400 senior managers can run banks around the world competently, but demonstrate, against conventional wisdom, that the concept of a global commercial bank makes sense.

The 51 per cent rise in HSBC's pre-tax profits for 1993 to £2.6bn, announced yesterday, is a stage in this process. Sir William is expected to retire in 1995, although it could be later, and has set himself a single task before he goes. "I would like to see the jury not being out, I would like to see some credibility," he says. "It is not going to be easy because the years ahead may not be so easy for banks. But I would like to see some of the question marks about HSBC Holdings lifted."

The initial doubts he had to dispel were among Midland shareholders, who not only had more instinctive respect for the management record of Mr Brian Pitman, chief executive of Lloyds Bank, but were not eager to swap their Midland stakes for HSBC paper. "The people running the UK funds said: 'If I'd wanted a stake in a global bank, I would have bought it'," says Mr George Cardona, HSBC's head of planning.

Those shareholders are convinced – for the moment. HSBC has gained from the hunger for emerging markets since the acquisition of Midland on July 10 1992. HSBC's shares have risen from 477p each to yesterday's close of 945p. But the difficult part is still to come. The group must make the other parts of its business work, by redressing the imbalance of holding 40 per cent of its assets in south-east Asia, while deriving £1.9bn – or 75 per cent – of pre-tax profits from the region.

Although the largest investment banks such as Goldman Sachs and Morgan Stanley have developed operations around the world to channel cross-border flows of capital, there are few contenders to become global commercial banks. After the losses sustained in the 1980s by banks which tried to expand overseas by lending to big companies at narrow margins, or buying small retail banks in other countries, most banks have accepted that they are more successful sticking to the home markets in which they are strong.

The exceptions are European banks such Deutsche Bank and Crédit Lyonnais, which still have ambitions to build cross-border retail franchises, and Citicorp, the US bank which has a strong retail business in many emerging markets such as Latin America. But HSBC has managed its portfolio of banks differently. Instead of forming a single bank, it has allowed the managements of banks such as Marine Midland in New York and Hongkong Bank of Canada to run them independently.

HSBC's attempts to expand internationally go back a long way. It always had an international outlook, because it was formed to finance trade out of the south-east Asia in 1865. But Sir William dates the decision to do more than establish overseas offices from the 1970s. "We believed that if we just sat as a strong regional bank, we would be swallowed up by a Japanese or an American bank. We thought there was an opportunity for a Hong Kong bank to expand into a big fellow," he says.

By the late 1980s, its method of doing so looked disastrously ineffective. HSBC's directors were particularly chastened by Marine Midland, which they fully acquired in 1987. It sustained losses of $720m between 1987 and 1991 after its US managers tried to turn it from a regional bank in New York state into a rival to Chase Manhattan and Citicorp. Sir William watched from the sidelines, because HSBC had agreed to allow Marine Midland autonomy as the price for acquiring a US bank.

It was a frustrating period for a naturally impatient man, made worse by the fact that HSBC's small Australian subsidiary was also losing money. US regulators and HSBC eventually decided enough was enough, and a team of HSBC directors took over. Marine Midland returned to its regional bank role and recovered to a $173.2m pre-tax profit last year. The team included Mr Keith Whitson, who is taking over from Sir Brian Pearse as chief executive of Midland Bank from next month.

Mr Whitson says HSBC learnt a lesson from Marine Midland. "Clearly, with the benefit of hindsight, we kept our hands far too much off the tiller. We did not manage to get the management there to become part of the group. They paid lip service to it, but they did not do it," he says. HSBC does not intend to make a similar mistake with Midland. It has already merged HSBC's and Midland's treasury operations, and is working on plans to improve Midland's technology.

The most obvious symbol of the group's determination not to delay in getting to grips with Midland is the retirement of Sir Brian, a well-respected banker brought in by the Bank of England to rescue Midland at the height of its bad debt and management problems in 1991. Sir Brian was thought by some to be a candidate as Midland chairman. Although HSBC directors talk of Sir Brian's achievements admiringly, Sir William is taking on the Midland chairmanship himself.

Other banks say Midland has emerged as the high street bank most willing to lend money to small business

Strengthening Midland, and returning it to something closer to its glory days in the 1950s as the largest UK bank, is crucial to Sir William's task of proving that HSBC can manage businesses well. He believes there is room for improvement.

"British high-street banking has developed more slowly than in other places. In many countries in Asia, I think that the customer has a much better service," he says.

HSBC directors believe that both technology and staff training need to be improved.

Apart from improving service to personal customers, HSBC is trying to rebuild Midland's lost market share in lending money to, and handling cash for, small companies. Other banks say that Midland has emerged as the high-street bank most willing to lend money to small businesses since it acquired HSBC's backing.

"We want that image, as long as we do not get the reputation for throwing money at people without assessing the risks properly. We are looking for business," says Mr Whitson.

Attracting more business from large companies has, initially at least, not been too difficult. The HSBC takeover has given Midland the backing of a parent company with a lot of capital, which makes big companies feel safer. HSBC's influence makes it a more natural choice for European companies trading in south-east Asia. "We have gained quite a lot of corporate business from across the Channel which would never have come to Midland previously," says Sir William.

But HSBC has a long way to go before it rivals US banks like J P Morgan in providing a range of financial services, including the underwriting and distribution of securities for big companies as well as lending to them. This would require it to integrate commercial banking better with global investment banking. Investment banking activities made a pre-tax profit of £253m last year, and remain a poor cousin of the group's main banking business.

HSBC saw the logic of shifting its balance of business towards investment banking in the 1980s when it acquired James Capel, the London-based equity broker, to add to its Wardley merchant banking arm in Asia. But before it took over Midland – and with it Samuel Montagu, the merchant bank – the investment banking businesses operated separately from each other and from the commercial banking side, and were ineffective. "We had a *rather motley crew* all *doing* different things, and not co-operating very much," says Sir William.

HSBC has now set its sights on creating a global investment bank under the direction of Mr Bernard Asher. He says HSBC has got the size and range of activities that attract large companies to deal with its treasury and capital markets arms. "We started in a colonial cul-de-sac, and you do not get many large multinationals there. Once you become large and generate activity, multinational companies feel they have to deal with you," he says.

Yet HSBC has so far shied away from carrying out the full merger of its corporate advisory and equity underwriting arms with its broking *and trading activities to create an* integrated investment bank. This is a tacit acknowledgement of the weakness of its merchant banking *operations. Integration would stop* James Capel from offering broking services to other banks, and Samuel Montagu could not supply enough business to compensate.

The move to London has thus presented Sir William and HSBC with twin challenges in creating both an improved form of British clearing bank, and a global investment bank. Sir William says this was the reason HSBC's board decided he should remain at the helm after the official retirement age of 60.

"I said to the board: 'I think it is an opportunity for me to retire. I would normally be retiring if this move was not taking place.' I am afraid I did not get too much encouragement," he says.

But beyond the concrete task of forging new businesses lies the less tangible one of showing that HSBC's management can add value to a diverse set of businesses. It is not just the past that provokes doubt, but the impression that Sir William himself is so dominating a figure that the bank depends too much on his presence. Although he dislikes such talk, at times he appears almost single-handedly to have dragged HSBC into being as a global force.

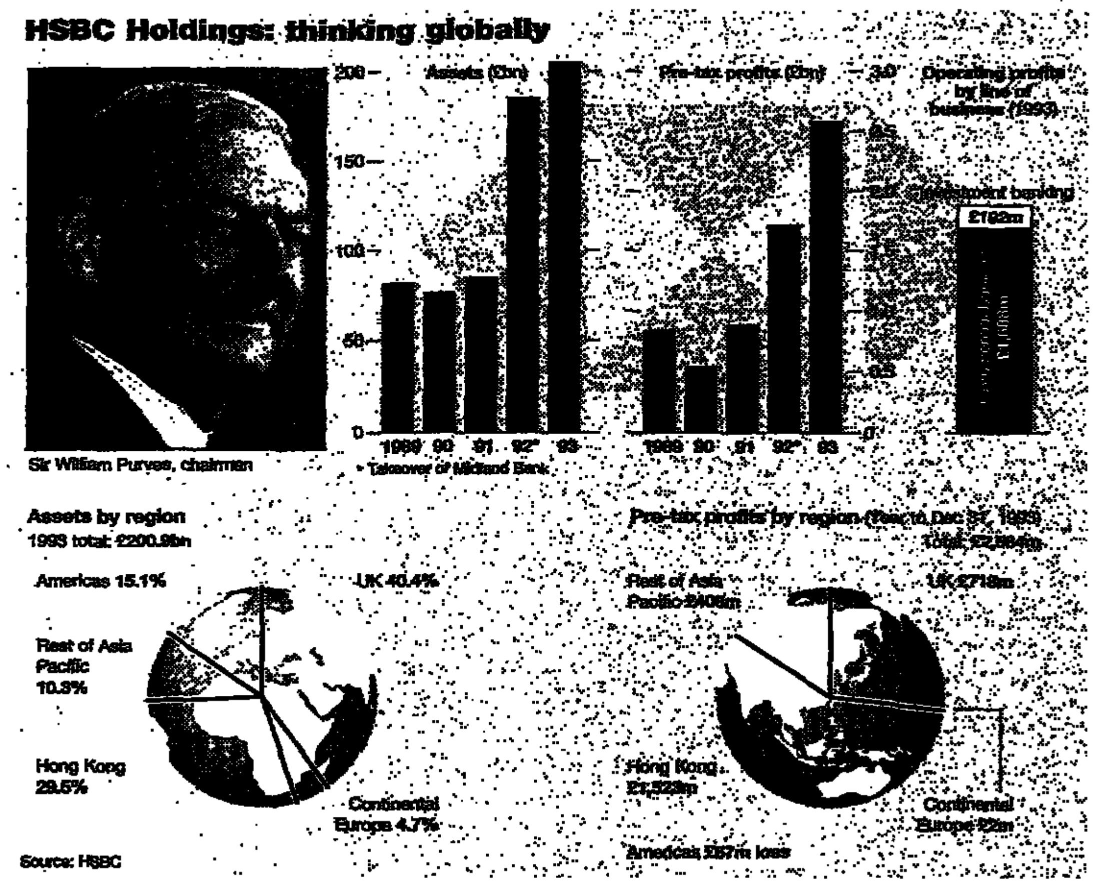
Critics say that, despite an enormous appetite for work and a formidable grasp of detail, he can be too impatient. They also question whether his gruff exterior and imposing presence have discouraged the emergence of a successor. Until the Bank of England insisted that the jobs were separated, Sir William was both chairman and chief executive of HSBC and, even now, it is difficult to imagine him giving free rein to Mr John Bond, the chief executive.

As the winter sunshine streams in, Sir William reflects on his reputation for ferocity. "I lead a meeting, some would say I dominate a meeting, but let me tell you that, if there is someone in my team who does not agree with what I am saying, I hope I listen to them. I believe I listen to them." He pauses a few seconds. "I don't like a long story. It doesn't impress me having to listen to 15 minutes, and I sometimes say: 'Where's the real meat here?' "

Some colleagues maintain that Sir William has tried to promote a new generation of managers. It did not always work, as he acknowledges. "There was a 10-year period when for one reason or another we did not seem able to get sufficiently good people, but we have got some excellent young people coming up," he says. He insists that he will not delay his departure too long. "There is no way that one man can run a group like this.

"Who knows when it will be time for me to go? Sometime soon, sometime soon I expect. I don't see why I should go on working forever. I believe that, when the moment comes, it will be clear to me, but human beings sometimes don't see it. If I don't, one of my team will say to me: 'Willie, time to go.' And I'll be off."

HSBC Holdings: thinking globally



OBSERVER


'How long are we going to boycott Mr Blobby?'

Going forth to multiply

■ If the European Central Bank has yet to pick a figurehead to engrave on its banknotes, it could do worse than Mayer Amschel Rothschild, whose birth 250 years ago in Frankfurt was yesterday being celebrated by a gathering of the clan in the German financial capital.

That at least was the respectful opinion of the town's mayor after listening to the encomium delivered by Lord Jacob Rothschild to the founder of the eminent banking dynasty.

The English Lord related how Mayer Amschel built up a prototypical European Union when he sent out five of his sons on their *famous journey* from Frankfurt's Jewish ghetto to European capital cities.

"He had a vision of a network of European countries *collaborating* and improving their communal lot," Lord Rothschild recalled, squeezing in a quote from an essay penned by his Aunt Miriam.

As was readily apparent, the clan's knowledge of the lingo of western Europe's largest country is virtually non-existent, and the group's axis is indeed firmly Anglo-French. The German branch of the family died out in the early years of the century, and the family had no presence in Frankfurt until a small office was opened in 1989, which today has fewer than 10 professionals on its staff.

After Chancellor Kohl and retinue helped crown the proceedings last night at the Jewish museum, it must surely be one of the most fêted outposts in the world.

Programme change

■ The English National Opera is interested in some of your cash – £250,000 to be precise – to help fund this season. Its appeal leaflet promises eight new productions, including Tosca by ... Verdi. Oops. A last-minute sticker correctly credited Puccini.

Gaijin clubs

■ What do the J-League – Japan's football league launched last year – and the country's stock market have in common?

It seems neither can thrive without *gaijin* – foreigner – support.

The J-League is now a huge craze, but its stars are foreign players from South America and Europe. Similarly, the real players behind this year's near 15 per cent rise in the Nikkei stock index are US and European buyers. A record $12bn in overseas funds was pumped into the Tokyo stock market in January alone.

Which craze will pass first? While Japan's football teams are happy to rely on foreign players, some xenophobic financial authorities are starting to worry about what happens when the foreigners stop buying.

They can "guide" Japanese institutions when to buy or sell, but *gaijin* investors can't be pushed around like foreign football stars. Well, *not yet*, anyway.

Twit to woo

■ Is it wise of Guardian Royal Exchange to drop Royal Exchange from its title? Puzzled investors might wonder whether they are dealing with the insurance group or the newspaper.

Changing its symbol from the GRE logo to an owl might also arouse consternation. The owl is intended to connote "stability, wisdom and friendliness – all of which are very important to us", says the insurer's press release.

Let's hope it doesn't also indicate a preference for daytime napping.

Snow kitty

■ It's an ill snow-blizzard which blows nobody any good. Despite the Arctic conditions in the US, at least one industry is thriving. Kitty litter has become such a hot commodity that even America's non-cat lovers can no longer do without it.

People are buying the stuff to spread over slippery sidewalks; apparently it's an environmentally friendly alternative to the more traditional rock salt, itself in short supply.

Drivers are loading up with 50lb *sacks of the versatile granules to* give their cars better traction in snow. Grocery chains are shifting twice as much litter as normal, *according to Supermarket News*. And of course, cats are staying indoors.

Blade runner

■ John Major's trip to Washington and the rumpus over the Thatcher Collection raises the question of the ownership of gifts received by national leaders during their time in office.

Harry Truman took a *characteristically simple view*. Introducing his 1973 biographer Merle Miller to the part of the Truman Library, in his native Independence, Missouri, *that was* devoted to such gifts, he observed: "They were given to the president of the United States, which is what, for a time, I was, but I never thought they were for my personal use."

But there was one exception: a jewelled sword, from King Saud of Saudi Arabia. Truman explained: "I told Bess [his wife] I'd give *that* to her if she'd kick Bricker [a Republican senator from Ohio] in the ass, but she wouldn't do it. So it's still here."

Stony ground

■ Lloyd's Names have been weeded out in more ways than one, according to the latest edition of the *Good Gardens Guide*.

Among gardens dropped from the new edition are a sprinkling *belonging to Lloyd's Names*, battered by their recent losses. Compilers Graham Rose and Peter King gloomily write: "If the mid-1980s were the *years of the* gales, the mid-1990s may be the years of the Names, forced to reduce expenditure on fine gardens."

After all, money doesn't grow on trees ...

FINANCIAL TIMES
Tuesday March 1 1994

EU makes eleventh hour effort on enlargement

By David Gardner in Brussels

Strenuous efforts were being made in Brussels last night to salvage negotiations to get Finland, Sweden, Austria and Norway into the European Union by next year.

The ostensibly final round of talks looked set to *move* yesterday's midnight deadline into a fifth day today as it seemed certain that Austria and Norway would be unable to agree entry terms by midnight.

The EU member states, meeting internally before presenting the candidates with a final package, were faced with either settling early entry terms for Sweden and Finland, or adjourning the negotiations for a few days before reconvening – at full foreign minister level or even at a *summit of heads of government*.

Mr Klaus Kinkel, the German foreign minister, joined the negotiations yesterday with a plea for flexibility on both sides to get all four applicants into the Union. Enlargement, he said, was much more important than arguing over access to a few thousand tonnes of fish, an allusion to Spanish demands for access to Norwegian fishing waters and French attempts to restrict access for Norwegian fish to the EU *single market, one of the* main sticking points in the talks.

Germany, the EU's main paymaster, also warned that enlargement was part of the arrangement the 12 reached at their 1992 Edinburgh summit, which agreed the 1994-99 EU budget resources, including a doubling of aid to poorer countries like Spain, Portugal, Greece and Ireland.

EU diplomats revealed that Mr Felipe González, the Spanish prime minister, had written to Chancellor Helmut Kohl of Germany *to spell out Madrid's* final demands. Though Spain still insists Norway can not be allowed a better deal on fish than the limited agreement Spain and Portugal got when they joined in 1986, Mr Gonzalez made clear he will not countenance significant change to the EU's weighted majority voting rules to accommodate the newcomers.

Spain, along with the UK, wants to preserve existing "blocking minority" rights.

The European Parliament, wants to make it even more difficult for member states to block Euro-laws. Failure by the 12 to agree on voting could prevent a deal, boiling up simmering differences between small and big member states which could alienate public opinion among the small newcomers.

The EU was poised last night to offer Norway a compromise deal on fish which allows Oslo keep control of its waters for a period, in exchange for consolidating existing access arrangements. EU negotiators, however, said there was little indication that Norway was prepared to negotiate.

Bonn steps up pressure on Elf to build refinery in east

By Christopher Parkes in Frankfurt, John Ridding in Paris and Quentin Peel in Bonn

The German government and privatisation authorities yesterday stepped up the pressure on *Elf Aquitaine*, the French energy group, to honour a contract to build a showpiece oil refinery in Leuna, eastern Germany.

Failure to go ahead could cost Elf DM1.5bn ($850m) in breach-of-contract penalties, and oblige it *to give back a chain of more than* 800 east German petrol stations, warned Mr Klaus Schucht, a senior official of the Treuhand privatisation agency.

Although a Treuhand spokesman stressed Elf had not been served with an ultimatum, and that discussions were continuing, interventions by Chancellor Helmut Kohl and Mr Günter Rexrodt, economics minister, underlined Bonn's anxiety about the project.

The passing of the agreed deadline yesterday for a start on construction work brought the row to a head. Government officials confirmed that Mr Kohl had written to Mr Edouard Balladur, French prime minister, while Mr Rexrodt said the government insisted Elf should fulfil its contractual obligations.

Mr Rexrodt maintained that the risk of losses in the start-up phase was not a good enough reason for withdrawal since Elf seemed to believe the project would be profitable in the long term.

The French company, committed to two-thirds of the DM4.5bn construction cost in a joint venture with the German Thyssen group, wants to cut its interest to 35 per cent.

It is understood unsuccessfully to have asked BP, Shell and Esso to take a stake. Thyssen has also said it will not increase its holding.

BP was one of the disappointed bidders in the July 1992 sale of the existing, run-down Leuna refinery, which was made more attractive by the inclusion of the profitable Minol petrol station chain, with its estimated 25 per cent share of the east German petrol market.

While the British group was prepared only to refurbish the old 11.5m tonnes a year refinery, Elf, in a pact with Thyssen's engineering interests, won the day with an offer to build a new 10m tonne plant.

Mr Kohl and president François Mitterrand were both personally involved in the agreement, which was hailed at the time as the biggest single industrial investment project in the *former eastern Germany*, and a triumph for the Franco-German alliance and the Treuhand's privatisation programme.

However, Mr Philippe Jaffré, Elf chairman since last August, and who steered the group through privatisation last month, is determined that his company's participation will be reduced as part of cost-cutting measures.

Elf's profits fell more than 80 per cent last year to FFr1.1bn ($180m).

Elf said yesterday it was still seeking industrial partners, but refused to comment on the state of negotiations.

Banks probe risks of hedge funds

Continued from Page 1

be left holding bonds worth much less than the money lent.

In its questionnaire, the Bank of England asks banks:

- What kind of dealings they have with hedge funds and in which areas.
- How much information is provided by dealers acting on behalf of several funds about how much each particular fund is buying or selling. For example, do banks know the names of all funds to which they are exposed and their level of gearing?
- How they view the smaller funds that might be considered one-person operations when it comes to systems controls and back office capability.
- What the characteristics of hedge funds are and whether they can be grouped together as an industry.

On Thursday, when UK government bond prices fell by almost 3 points, the bank stabilised the market with gilt purchases of less than £100m. Its main fear was that if dealers found they were unable to sell certain less-liquid gilts, they might be forced to mark down their prices dramatically. That in turn, it was feared, might push the gilt market through so-called "support" levels, triggering a further bout of selling and putting additional downward pressure on prices.

"Merely the fact that the bank was there as a backstop provided some reassurance to the market," said one dealer.

PLO calls on US to increase pressure on Israel

By Mark Nicholson in Tunis and David Horovitz in Jerusalem

The Palestine Liberation Organisation is to send envoys to Washington to discuss its "requirements" for resuming peace talks with Israel following the massacre of Palestinians in Hebron.

Senior PLO officials said yesterday the envoys would urge the US to put pressure on Israel to do more to protect Palestinians in the occupied territories.

The PLO has rejected as "inadequate" Israeli prime minister Yitzhak Rabin's decision to disarm a few of the the most extreme Jewish settlers.

Mr Yassir Abed Rabbo, a PLO spokesman, said: "We want to guarantee the safety and security of our people through measures we are sure the Israeli cabinet can take."

Israel must go further than Mr Rabin's measures and "either *disarm the settlers or prevent* them from entering Palestinian villages and cities" before the PLO could consider resuming talks.

The PLO was also calling for United Nations observers in the occupied territories, he said. "Either we get guarantees or the Palestinian people will no longer back the peace process."

In Israel, Mr Rabin appealed to the PLO and the Arab states who have suspended peace talks with Israel – Syria, Lebanon and Jordan – to return to the negotiations

If they did not, he said, they would be *handing victory to the* extremists. Mr Rabin rejected Palestinian demands for all 120,000 Jewish settlers in the occupied territories to be disarmed and for some settlements to be dismantled.

Mr Rabin said there would be no further compromises. His government had ordered the detention of a handful of extremist leaders, and the disarming and restriction of movement of about two dozen more.

Palestinian protestors continued to defy curfew orders in the West Bank and Gaza and clashed with Israeli troops throughout *the occupied territories*.

The PLO hopes that the massacre will have a "Sarajevo effect". It believes galvanising international, particularly US, opinion offers the only prospect of further concessions from the Israelis.

Several officials have called for the dismantling of Jewish settlements in Gaza and the West Bank.

Others are suggesting that a swift resolution to the delayed negotiations on Israeli withdrawal from Gaza and Jericho would not now be enough to win Palestinian support for the broader peace process.

Hebron killings, Page 7

THE LEX COLUMN

HSBC's good deal

The Federal Reserve's decision to tighten monetary policy three weeks ago raised two worries about HSBC Holdings. First, it was a reminder that its customers in Hong Kong would not enjoy indefinitely such a benign combination of low real interest rates and rapid economic growth. Indeed the risk is that the Hong Kong authorities may be forced to raise interest rates *just as the regional economic cycle* turns down. Second, the bond market weakness unleashed by the Fed's action must have caused anxious moments for a bank with a £26bn portfolio of debt securities and which has become used to making large profits from playing the yield curve.

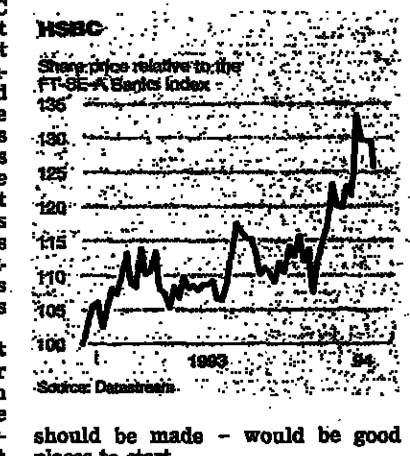
Yesterday's annual results suggest the latter may remain the bigger worry. Provisions against lending in Hong Kong fell last year to a meagre £81m from £126m. They would certainly rise if the economy turned. But it would take a fierce reversal of the interest rate trend for large-scale loan losses to occur. If the rise in rates remains modest, as still seems possible, the bank could even benefit. It would earn more on its interest-free liabilities.

By contrast, securities markets look unlikely to maintain the buoyancy which HSBC needs to sustain its dealing profits. At £1.1bn these are nearly a third of group operating profit. Some £700m comes from securities dealing rather than foreign exchange. That is more than the entire increase in operating profit which HSBC would have reported had Midland been a subsidiary for the whole of 1992. It is no surprise that HSBC shares have started to under-perform the sector, especially since the £160m aviation leasing provision shows it is still not immune from accident.

UK pensions

Yesterday's holding statement from the Securities and Investments Board inspires little confidence in its clampdown on mis-selling of personal pen*sions. It can only be hoped that the* vague promise of proper information for investors and better control of salesmen heralds tough measures later this month. Neither the proposed fact sheet for investors nor the mooted 14-day cooling-off period are likely to afford much protection unless the sales process is bought under close control. A mandatory comparison of the benefits under different pension schemes – and a clear written statement of the reasons why any transfer

FT-SE Index: 3328.1 (+46.9)



should be made – would be good places to start.

Still, SIB is not acting alone. The new training and competence standards promised by the Personal Investments Authority – should it ever get off the ground – might help start the necessary revolution in the education of salesmen. Full disclosure of commissions paid to sales agents – forced on a reluctant industry last summer by the government – should make the sale of pensions more transparent.

Moves to tighten methods of calcu*lating the cash value of pension* benefits should help ensure a fair deal for consumers determined to transfer out of occupational schemes. That thorny issue is, rightly, in the hands of the actuarial profession. Since pension transfers are still being made despite the evident pitfalls, though, a sense of urgency is clearly required.

PolyGram

While other entertainment companies diversify in response to multimedia mania, PolyGram makes a strong case for the virtues of single-mindedness. Despite delays in releasing hit records and with recession still *rippling through its home European* markets, PolyGram lifted net income by 21 per cent in 1993. Imagine what would have happened in a good year.

Efficiency gains nudged operating margins up to 12.6 per cent. Weak European sales were offset by a 31 per cent gain in the far east and a strong performance in the rest of the world. After some years of disappointment, PolyGram's US business is also coming good, benefiting from unutilised tax losses. The acquisition of Motown will further help the cause. Sales of classical music, which account for 12 per cent of revenues, may be increasingly squeezed by cut-price competitors. But the company can more easily resist the trend in pop music where teeny boppers with a craving for the Cranberries have nowhere else to go.

PolyGram's focus grows somewhat fuzzy round the edges with its infant film production business still losing money. It may cautiously explore other ventures in related fields, such as video games and publishing. That threatens to dilute short-term financial returns but may increase PolyGram's industrial appeal as a global software factory. Few investors are likely to sell such a prospect.

House of Fraser

Private investors, by now used to being squeezed in small flotations, will have to get used to being squeezed in *large ones if the House of Fraser float* is any guide. The Stock Exchange is allowing SG Warburg to place 75 per cent of the issue – without any clawback – leaving only around £100m-worth in an offer for sale. Yet given the flow of retail funds into the stock market, it is hard for the exchange to argue a lack of interest. The tilt on the playing field seems to have shifted further in the direction of an easy life for *lead managers and guaranteed allocations* for institutions.

In the circumstances it is fortunate that House of Fraser is unlikely to prove a glittering star. Its large, if not particularly saleable, property portfolio provides a solid asset base. But its growth prospects as a retailer are hardly electrifying. Much-needed remedial work by its new management means that some improvement *must be possible, but the* company's ability to invest in the business is constrained by its cash flow. The company also faces a struggle to present high quality service at the same time as cutting staff and introducing more part-timers.

Department store retailing is increasingly unfashionable and, while House of Fraser's performance may improve, that of other retailers will improve faster. The Fayeds have also been trying to sell the company for a long time. That argues for a discount to the sector. Presumably such considerations are why Warburg wants to control the float, though if it can tickle the price up in the placing, there will be even less for retail investors to shoot at.

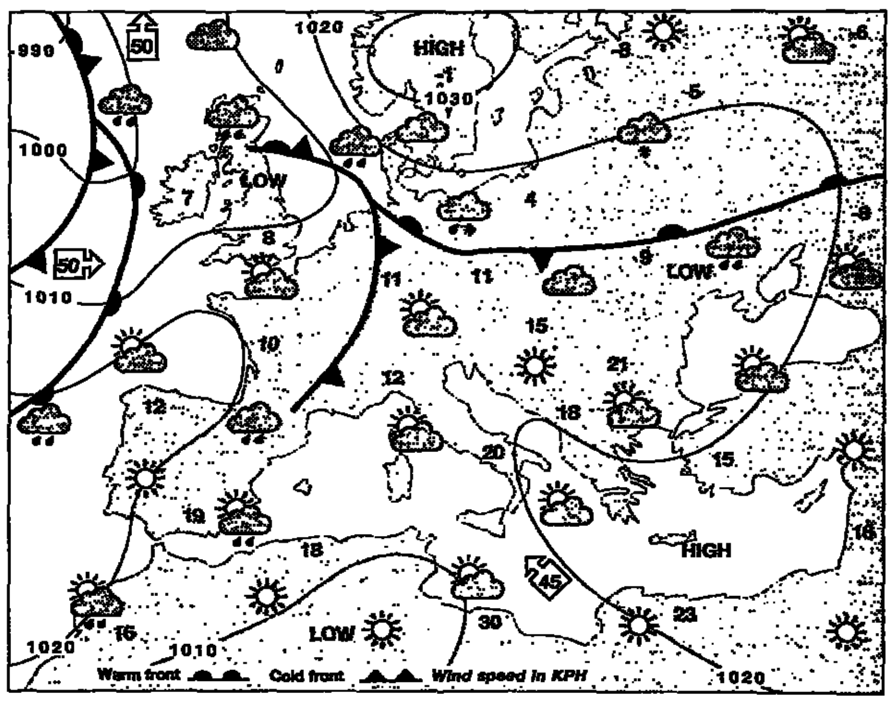
FT WEATHER GUIDE

Europe today

The boundary between wintry conditions in the north and mild weather in the south will stretch from Denmark towards Poland. Demark, Germany and Poland will be mainly cloudy with rain mixed with snow in the north. Scandinavia will be dry and sunny. The Benelux and the southern British Isles will have clearing skies while Scotland and western Ireland will have cloud and rain. France and Spain will have sunny periods, but the western Mediterranean will have thundery showers. Sunshine will be abundant in Portugal. Greece, Turkey, southern Italy, and the southern Balkans will have sunny periods.

Five-day forecast

As high pressure over Scandinavia moves further east, a westerly air current over the Atlantic will increase, causing changeable conditions in western Europe and later in south-western Scandinavia. Temperatures will be relatively mild. Wintry conditions will persist over north-eastern Scandinavia. High pressure over the Mediterranean will give sunny, settled conditions with pleasant temperatures in south-eastern and south-western Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	fair	6	Cardiff	cloudy	7	Frankfurt	rain	10	Malta	sun	20	Rio	sun	30
	Celsius		Belgrade	fair	21	Chicago	sun	2	Geneva	rain	8	Manchester	cloudy	8	Riyadh	fair	23
Abu Dhabi	fair	23	Berlin	rain	4	Cologne	rain	11	Gibraltar	shower	17	Manila	cloudy	32	Rome	fair	17
Accra	fair	33	Bermuda	thund	18	D' Salaam	thund	32	Glasgow	rain	6	Melbourne	fair	22	S. Frsco	sun	19
Algiers	cloudy	18	Bogota	cloudy	20	Dakar	fair	22	Hamburg	sleet	2	Mexico City	sun	21	Seoul	fair	6
Amsterdam	rain	9	Bombay	sun	34	Dallas	rain	13	Helsinki	sun	-9	Miami	fair	28	Singapore	cloudy	31
Athens	sun	19	Brussels	cloudy	9	Delhi	sun	30	Hong Kong	drzzl	13	Milan	shower	11	Stockholm	sun	-4
B. Aires	fair	29	Budapest	fair	15	Dubai	fair	24	Honolulu	sun	27	Montreal	sun	-9	Strasbourg	cloudy	10
B.ham	fair	8	C.hagen	windy	1	Dublin	fair	7	Istanbul	fair	14	Moscow	sun	-4	Sydney	cloudy	17
Bangkok	fair	35	Cairo	sun	21	Dubrovnik	sun	18	Jersey	rain	9	Munich	fair	10	Tangier	shower	15
Barcelona	cloudy	13	Cape Town	shower	21	Edinburgh	rain	7	Karachi	fair	32	Nairobi	fair	29	Tel Aviv	sun	19
Beijing	sun	6	Caracas	cloudy	26	Faro	shower	17	Kuwait	fair	21	Naples	sun	20	Tokyo	shower	13
									L. Angeles	sun	22	Nassau	fair	27	Toronto	sun	-3
									Las Palmas	fair	20	New York	cloudy	3	Tunis	sun	21
									Lima	fair	28	Nice	rain	14	Vancouver	rain	11
									Lisbon	sun	15	Nicosia	sun	21	Venice	cloudy	11
									London	shower	8	Oslo	sun	-4	Vienna	fair	12
									Lux.bourg	rain	9	Paris	rain	10	Warsaw	rain	4
									Lyon	rain	10	Perth	fair	32	Washington	fair	6
									Madeira	fair	17	Prague	rain	7	Wellington	fair	21
									Madrid	shower	13	Rangoon	fair	32	Winnipeg	fair	2
									Majorca	cloudy	18	Reykjavik	rain	3	Zurich	fair	9

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FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday March 1 1994

IN BRIEF

Kmart falls more than $1bn into red

Kmart, the US retailing group that ranks as the world's second biggest, reported after-tax losses of more than $1bn for the fourth quarter to January. The poor financial performance came from an erosion in Kmart's gross margin from 26.5 per cent to 24.9 per cent. However, Federated Department Stores, which owns Bloomingdale's and other department store chains, saw net income before extraordinary items rise 39 per cent to $146m for the fourth quarter. Page 22

No upturn for Saab
Saab, the Swedish carmaker 50 per cent owned by General Motors of the US, yesterday announced its fifth successive year of losses, posting a SKr1.37bn ($171m) loss for 1993 before extraordinary items. Page 20

Groupe Bull draws up recovery plan
A plan for the recovery of Groupe Bull, France's loss-making computer group, is due to be presented by its chairman, Mr Jean-Marie Descarpentries, today. The main ingredients are a reorganisation of the group's divisions to increase efficiency and productivity; cost-cutting; and plans to privatise the group as quickly as possible. Page 20

Japanese forecasts downgraded
More Japanese companies have warned that their profits for the current financial year may not match earlier forecasts. Page 23

House of Fraser rises ahead of float
House of Fraser, the department store chain which is preparing for flotation, raised operating profits 25 per cent last year from £36.1m to £45m ($67m), the pathfinder prospectus revealed yesterday. Page 26

Airtours takes legal action
Airtours, the holiday group, is taking legal action against the former owners of Aspro Travel, which it bought last June, alleging it was the victim of fraudulent representation at the time it acquired the Cardiff-based company. Page 26

Capita completes restructuring
Capita Group, which provides white-collar services to the public sector, raised pre-tax profits 24 per cent to £5.46m ($8m) for the year. The group said its restructuring into three divisions had been successfully completed. Page 27

Pegasus improves profitability
Pegasus Group, the UK supplier of accounting software, improved profitability last year after a change of management, a large disposal and the launch of a new flagship accounting system. Page 28

Sir Christopher Bland
Because of an editing error, yesterday's Financial Times stated that Sir Christopher Bland, chairman of LWT, planned to resign yesterday. In fact he will remain chairman for the time being before being replaced by Mr Gerry Robinson, the Granada chief executive.

Companies in this issue

Market Statistics

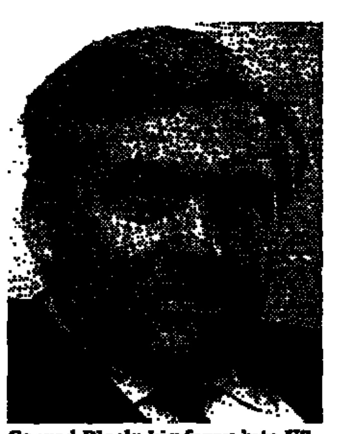
Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Degussa	514	+	13	Air Liquide	842	+	26
Hoechst	306	+	10	BSN	943	+	35
Karstadt	549	+	12	Club Med	378	+	14
Kaufhof	476	+	12	Havas	472	+	26
Man Pref	335	+	5	Imetal	659	+	28
Falls				**Falls**			
Sud Chemie	507	-	8	UFB Locabail	445	-	20
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Amer Health	15¾	+	5¾	Asahi Optical	492	+	14
Kmart	35½	+	3½	Gunze	692	+	22
Micron Tech	71½	+	2¾	Toshiba Mach	549	+	25
Viacom B	26½	+	2¼	UBE Inds	362	+	13
Falls				**Falls**			
RJR Nabisco	6¾	-	⅛	Daifuku	1180	-	90
Philip Morris	56⅝	-	⅝	Kureha Chem	441	-	20

New York prices at 12.30pm.

LONDON (Pence)							
Rises				RTZ	853	+	22
Admiral	515	+	22	Racal Elec	229	+	9
Bluebird Toys	768	+	23	Reuters	2030	+	34
Brit Data Mgmnt	223	+	12	Stanhope Prop	45	+	5
Copymore	110	+	7	**Falls**			
Eng China Clays	502	+	26	Airtours	540	-	13
Euro Disney	393	+	15	DFS Furniture	312	-	17
Glynwed	371	+	11	High-Point	65	-	6
Grand Met	463	+	12	Lon Forfaiting	226	-	7
Laing (J) A	397	+	12	Pegasus	220	-	10
Lonrho	163½	+	10	PizzaExpress	128	-	8
Micro Focus	1025	+	42				
Morrison (Wm)	114	+	6				
Nat Home Loans	19¾	+	2¾				

Hollinger acquires Chicago daily


Conrad Black: big foray into US

By Bernard Simon in Toronto

Hollinger, the international newspaper group controlled by Mr Conrad Black, owner of the UK's Telegraph group, has made its first foray into the urban US market by buying the Chicago Sun-Times, the country's ninth biggest daily.

Hollinger will pay $180m for the privately owned Sun-Times Company, whose assets include about 60 community papers in the Chicago area.

The present owners, comprising institutional investors and senior Sun-Times managers, bought the company six years ago in a leveraged buy-out from Mr Rupert Murdoch, the publishing magnate.

Hollinger's vehicle for the acquisition is American Publishing, a wholly-owned subsidiary based in rural Illinois which publishes 280 small-town papers across the US.

Mr David Radler, Hollinger president, said the deal would be financed by bank loans. However, American Publishing plans to strengthen its equity base through a public share issue. The issue, for about $150m, is expected to be completed by mid-year.

Mr Radler said the Sun-Times is a "better fit and a more viable company" than the struggling New York Daily News, which Mr Black unsuccessfully pursued two years ago.

The Sun-Times, a tabloid, is best known for its coverage of Chicago's political scene, and for its sports news. It has a daily circulation of about 535,000 copies, compared with 690,000 for its bigger broadsheet rival, the Chicago Tribune.

The Sun-Times' Sunday circulation however, is less than half the Tribune's 1.1m.

Mr James Goss, media analyst at Duff & Phelps, the rating agency, estimated that the Tribune has between 75 per cent and 80 per cent of advertising revenue in the Chicago area. However, he added that "in terms of number-two papers, the Sun-Times is probably as well-positioned as any could be".

Mr Radler declined to disclose details of the Sun-Times' financial performance beyond saying that it has been profitable for the past six years.

However, the 1988 buy-out has left the present owners with a heavy debt-service burden.

Mr Radler indicated that Hollinger will apply much the same formula of tight cost controls and enhanced technology to the Sun-Times as it has brought to its other acquisitions in the UK, North America, Australia and Israel.

SEC head launches German initiative

By David Waller in Frankfurt

The chairman of the Securities and Exchange Commission, the regulatory body for the US securities industry, yesterday launched a "bridge-building" campaign in an effort to persuade more German companies to list their shares in the US.

Mr Arthur Levitt, who will be visiting 20 leading German industrial companies and banks during his two-day stay in Germany, told businessmen in Frankfurt that it was a lot easier for foreign companies to obtain a listing in the US than they might imagine.

"The provision of information to investors is the sole condition, the real requirement, for access to our markets," he said. "All companies are welcome, with information as their passport."

At present, Daimler-Benz is the only German company out of a total of 594 foreign companies listed in the US. Germany's biggest company listed its shares in October last year, prompting widespread criticism within German industry at the level of concessions made to the SEC on listing requirements.

German companies have traditionally objected to the SEC's disclosure rules, in particular the necessity of presenting accounts under US General Accepted Accounting Principles (US GAAP).

This objection ensured that, with the exception of Daimler, all companies in Europe's largest economy are denied direct access to the world's largest capital market.

Mr Levitt said that the SEC had worked hard to make the listing procedures simpler for foreign companies.

Acknowledging problems with the commission's image in the past, he undertook to "make the SEC a positive, responsive force". "I promise to listen carefully, to avoid confrontation and to work with you towards resolving, rather than resisting, differences," he said.

This is the first time that a chairman of the SEC has visited Germany. While many large German companies would like to tap the US equity market through a direct listing, this would mean abandoning Germany's creditor-oriented accounting in favour of the more transparent, investor-oriented US accounting rules.

SE-Banken tackles loan losses to return to profit

By Hugh Carnegy in Stockholm

Skandinaviska Enskilda Banken, the leading Swedish commercial bank which 12 months ago was pulled to the brink of disaster by huge loan losses, yesterday announced a recovery in underlying earnings.

SE-Banken, the financial pillar of the Wallenberg industrial dynasty, reported an operating profit of SKr357m ($45m), compared with a loss of SKr5.37bn in 1992 when it was forced to seek government aid. It withdrew the aid request last August as conditions improved and opted to recapitalise through a SKr5.3bn rights issue.

Operating profits rose 81 per cent before loan losses to SKr10.5bn, due in large part to lower interest rates. The group continues to carry large lending losses, mostly related to the property, finance and insurance sectors. Incurred loan losses and provisions totalled SKr10.17bn, compared with SKr11.18bn.

The problem loan total was down more sharply, to SKr16.86bn from SKr25.9bn, accounting for 5.7 per cent of the loan portfolio, compared with 7.53 per cent.

"We have passed the peak of credit losses," said Mr Björn Svedberg, chief executive. "We now have a good platform for the future." He declared that the crisis that hit all Swedish banks in 1992 was over, but declined to say how long it would take to push loan losses down to normal levels. The bank is not paying a dividend.

Meanwhile, Föreningsbanken, Sweden's fifth largest bank, reported a 1993 operating loss of SKr2.09bn, compared with SKr1.34bn, as loan losses grew 26 per cent to SKr4.4bn. It said loan losses would tumble and income rise this year, but was uncertain of returning to profit in 1994.

At SE-Banken net interest earnings rose 49 per cent to SKr9.78bn. Commissions, fees and foreign exchange earnings rose 11 per cent to SKr6.8bn and other income rose 87 per cent to SKr1.8bn. The bank's total capital ratio was 13 per cent at the year-end, compared with 8.4 per cent at the end of 1992 when it threatened to fall below the international minimum of 8 per cent.

Total assets fell 8 per cent to SKr448bn, because of reduced foreign currency lending and securitisation of loans.

Alice Rawsthorn reports on the Euro Disney rescue talks

Only a month to make the refinancing fly

After weeks of delay and indecision Euro Disney, the stricken leisure group, has finally started negotiations with its banks on a FFr13bn ($2.2bn) rescue package.

The two sides have a month to reach agreement before the March 31 deadline imposed by Walt Disney, the US entertainment group that owns 49 per cent of Euro Disney. Without a deal, Disney threatens to withdraw its financial support thereby forcing the closure of the EuroDisneyland theme park near Paris.

"It's still early days but at this stage it looks as though we should be able to meet the deadline," said one banker. "No one ever said this deal was going to be easy, but it is do-able. After all, no one wants to see Euro Disney go bust."

> **The Disney camp claims that the distressed debt sales and the bondholders' lobby are minor distractions**

The reason for the banks' cautious optimism is the investigative audit presented last week by KPMG Peat Marwick, the accountancy group, which concluded that Euro Disney could become a going concern if its FFr20.3bn net debt was reduced. KPMG calculated that FFr13bn was needed to stabilise the company's finances.

The banks, led by Banque Nationale de Paris and Banque Indosuez, have proposed that the deal should be apportioned on a 50:50 basis with Disney.

One element would be an injection of capital from a rights issue and, possibly, a debt-for-equity swap, which could be linked to the underwriting of the issue. Another element would be a cut in Euro Disney's financial costs. The banks might trim the interest rates on part of their loans in return for Disney forgoing or cutting its entitlement to royalties and management fees.

Disney has indicated that it will take up its full share of a rights issue, but is intransigent on the royalty front. The banks want extended indefinitely its waiver of a management fee of 3 per cent of Euro Disney's turnover, which would have been worth FFr145m last year. They have also demanded a cut in its royalties of 10 per cent of admissions and 5 per cent of food and merchandise sales, worth FFr262m last year.

The US group has privately accepted the need for compromise, not least because it wants the banks to trim the interest rates on their loans, notably the Caisse des Dépôts which owns Euro Disney's FFr4.8bn 7.8 per cent fixed rate debt. But it is reluctant to agree to a significant reduction in royalties for fear of setting a precedent.

Disney's room for manoeuvre is limited. It is anxious to avoid closing EuroDisneyland, which would not only damage its prospects in Europe but could drag it into a legal battle in France. It has made a provision of $175m to keep Euro Disney afloat until March 31 and has indicated that, providing an outline agreement has been reached by then, it will continue to support the company until the deal is completed.

Yet Disney cannot afford to pour in money into Euro Disney indefinitely, nor could it placate the banks by taking a larger equity stake. If it raises its stake above the present 49 per cent it would, under US regulations, have to consolidate the European company's debt on to its own balance sheet.

It does have other options, including buying the five hotels at the theme park. It has also held talks with prospective new investors, including an Arab consortium, which could be brought in as part of the refinancing.

Meanwhile the banks are struggling to maintain a united front. The main threat to unity is the risk that some may succumb to the overtures of US secondary debt specialists and sell their loans at a discount. Midland Bank is on the verge of completing the sale of a FFr130m loan despite the reported opposition of the Bank of England. If others follow, it could complicate the negotiations.

Another potential complication is a noisy French lobby of convertible bond holders. These investors risk their interests being heavily diluted by the restructuring and are threatening to sue Euro Disney and its advisers. The Disney camp claims that the distressed debt sales and the convertible lobby are minor distractions. But as the deadline approaches the financial prospects facing Euro Disney are as sobering as ever.

Ms Rebecca Winnington-Ingram, an analyst at Morgan Stanley, calculates that, even if Euro Disney does secure its FFr13bn refinancing, it will not move into profit until 1998.

Asia Pacific helps HSBC rise 51% to £2.58bn

By John Gapper, Banking Editor

A buoyant banking market in the Asia Pacific along with big earnings from foreign exchange and capital markets trading lifted pre-tax profits of HSBC Holdings by 51 per cent to £2.58bn last year, from £1.74bn.

Rising income more than offset an increase in provisions for bad debts to £1.16bn, against £990m. There was a £160m charge against falls in the value of aircraft and other assets of its Concord Leasing arm in the US.

HSBC, the second most valuable company on the London Stock Exchange since its acquisition of Midland Bank in 1992, lifted its final dividend to 16.5p, raising the total payout by 24 per cent to 23.5p. It also announced an enhanced scrip alternative to the final dividend, worth 50 per cent more than the cash final.

Mr John Bond, HSBC chief executive, said last year had produced "a very encouraging result". The acquisition of Midland had "exceeded our expectations, particularly in treasury and investment banking businesses".

Mr Bond warned that dealing income of £1.09bn, against £621m, was unlikely to be repeated this year as the turn in the interest rate cycle meant that treasury and capital markets "are unlikely to be as favourable".

Total non-interest income rose 23 per cent to £3.58bn, compared with £2.9bn pro forma, after restating the accounts to adjust for the consolidation of Midland.

Dealing income included foreign exchange earnings of £377m, against £383m. Most of a £72m increase in miscellaneous operating income was due to higher income from the sale of life and pension products in Midland. Net interest income rose 13 per cent to £4.44bn. The net interest margin on loans rose to 2.8 per cent, against 2.7 per cent, helped by a release of suspended interest in Hongkong Bank.

Profits were dominated by operations in Asia, with £1.93bn, or 75 per cent of pre-tax profits, coming from Hong Kong and the Asia Pacific.

The ratio of cost to income fell from 62.2 to 55.2 per cent.

The ratio of core capital to risk-weighted assets rose to 7.9 per cent, against 7.4 per cent. Earnings per share rose to 71.7p, compared with 48.8p, although headline earnings per share excluding exceptional profits were 69.4p.

Post-tax return on average shareholders funds rose 20.8 per cent, against 17.3 per cent, and return on assets rose to 1.1 per cent, from 0.7 per cent.

Lex, Page 18; Sum of his parts, Page 17; Midland, Page 20

Saab cuts deficit in half but still loses SKr1.37bn

By Hugh Carnegy in Stockholm

Saab Automobile, the Swedish car maker 50 per cent owned by General Motors of the US, yesterday announced its fifth successive year of losses, posting a SKr1.37bn ($171m) loss before extraordinary items in 1993.

But the result was a 49 per cent improvement on the 1992 loss of SKr2.68bn and included a charge of SKr299m during the start-up and launch of the new Saab 900 model which went on sale last autumn.

Saab, which has talked of a possible return to profit in 1994 for some months, said yesterday the chances of reaching break-even were good.

Sales rose to SKr16.12bn from SKr14.69bn, but this reflected the slide in the value of the Swedish krona during 1993. The number of vehicles sold was down sharply, also for the fifth year in succession, at 73,600, compared with 86,800 in 1992.

Saab, jointly owned by GM and Sweden's Saab-Scania, has swallowed more than SKr8bn in new capital from its owners and accumulated losses of more than SKr11bn since GM bought into the company in 1989 seeking a prestige European marque to extend its range into an up-market niche.

After a radical restructuring, during which it has almost halved it workforce to 7,900, it is pinning its hopes for recovery on the 900 model, coupled with improving conditions in its three main markets – Sweden, the US and Britain.

Saab has set a tough target of selling 87,000 vehicles from its 9000 and 900 ranges this year but says this is realistic.

Midland Bank ahead four-fold

By John Gapper and Alison Smith in London

Midland Bank, the UK high-street banking arm of HSBC Holdings, quadrupled pre-tax profits to £844m ($1.23bn) last year, against £204m in 1992, despite weak demand for loans and a decline in fees and commissions.

Operating profit, before provisions for bad and doubtful debts, more than tripled to £723m, from £229m, largely because of very strong income from treasury and capital markets trading activities.

Sir Brian Pearse, who is retiring at the end of this month as chief executive of Midland, said the bank "continues to operate under very difficult and trying circumstances in a market that is over-supplied".

The specific bad debt charge against lending in the UK fell by £118m to £447m, but this was offset by a £37m charge for loans to less developed countries, and a £50m general provision against future corporate failures.

The worst bad debt experience was in overseas commercial banking, where the charge rose by £108m to £131m. Bad debts in France and Germany rose "significantly" due to falling property values in France and continuing recessions.

Sir Brian said that UK complaints fell by 40 per cent after efforts to consult customers on the services they wanted.

First Direct, Midland's telephone banking subsidiary, increased its customer base to more than 500,000 accounts by the end of the year. However, it only achieved a trading profit in December after monthly losses before that.

Sir Brian said that First Direct had not yet achieved the same level of cross-selling financial products as mortgages. He believed this was mainly because it had not yet made a strong marketing and sales effort with customers.

Midland paid a dividend of £403m to HSBC from net profits of £646m after tax and minorities. Retained profit of £243m, against £102m, boosted the ratio of core capital to assets weighted by risk to 6.5 per cent, against 5.7 per cent.

Total assets rose to £76bn, from £71bn, despite a fall in loans and advances to £38.6bn, from £42.5bn. There was a strong increase in holdings of debt securities from £5.8bn to £13bn.

Billiton hit by restructuring costs

By Kenneth Gooding, Mining Correspondent

Restructuring costs at Billiton, the mining and metals business within the Royal Dutch/Shell group, sent its net loss up last year from $75m in 1992 to $142m.

Gencor of South Africa is at present negotiating to buy Billiton.

During 1993 Billiton decided to close underground mining operations at Les Mines Selbaie in Canada and to shut its Toronto office. Several downstream businesses in the Netherlands were sold in line with Billiton's strategy to focus on mining and resource operations.

There was an operating loss of $17m for 1993 with first-half profits eroded by weak metal prices.

The mining business suffered an operating loss of $14m, downstream operations lost $6m and miscellaneous items, such as currency exchange losses and head office costs, accounted for a $15m loss. The marketing and trading business made a profit of $18m.

Gencor announced last May it hoped to reach agreement to buy the Billiton assets by the end of 1993 but the negotiations proved more difficult than expected.

Mr Brian Gilbertson, Gencor's chairman, said last week that chances of a successful conclusion were "better than ever" but Gencor would "walk away from the deal" if it was not sealed by June 30.

Debts push Vard deeper into the red

By Karen Fossli in Oslo

Vard, the Norwegian cruise and ferry group, yesterday reported substantially heavier losses for 1993 with a pre-tax deficit of NKr361.04m ($48.75m), against NKr229.47m a year earlier.

Vard blamed its debt burden on a substantially weaker performance by Kloster Cruise, its cruise unit, and heavier foreign currency losses.

Group operating profit rose to NKr568.86m from NKr459.33m. Revenue increased to NKr7.3bn from NKr5.47bn, but operating expenses swelled to NKr6.24bn from NKr4.67bn following a jump in depreciation to NKr494m from NKr341m.

Vard charged net financial items and foreign currency losses of NKr841.73m against NKr589.38m in charges the previous year.

Miami-based Kloster Cruise said net contributions from the ships in its fleet rose to $294m from $348m in the previous year, but that financial expenses had increased to $89.1m from $56.3m. Net losses, before currency adjustments and other items, more than tripled to $19.5m from $6.4m.

Kloster's Norwegian Cruise Line's load factor for 1993 was very satisfactory, Vard said, and surpassed the previous year.

However, prices achieved were not sufficient to compensate fully for larger interest costs and depreciations.

Royal Viking Line's load factor was unchanged but prices fell due to stronger competition. Royal Cruise Line improved load factors and prices, but this was undermined by maintenance and repair costs. A plan to sell Royal Cruise and Royal Viking for $565m fell through earlier this year.

The ferry division saw net profits plunge to NKr78.6m from NKr123.7m, despite a rise in operating income to NKr772.6m from NKr672.8m.

Operating expenses rose to NKr458m from NKr342.3m. Vard said the division's results were, however, satisfactory.

Auctioneer's shadow falls over Bull

John Ridding reports on the French computer maker's uncertain future

The man in the red jacket bid FFr3,000 ($500) for the laser barcode machine. The woman in the blue jumper bought the chairs. Piece by piece, the contents of Groupe Bull's computer plant in Villeneuve D'Ascq on the outskirts of Lille in northern France were sold off to a packed auction room of businessmen and the local public.

The closure of the Bull plant and last week's auction of its entire contents demonstrates the struggle faced by the French state-owned computer group as it seeks to restructure. The factory, designed to produce 550,000 computers each year, never achieved the target and failed to break even. Bull's mounting losses, which have exceeded FFr15bn over the past four years, and the government's order that it must stem the flow of red ink in preparation for privatisation, meant the plant could no longer be supported.

If the fate of the plant has now been sealed, the moment of truth is fast approaching for the group as a whole. A recovery plan, finalised by Mr Jean-Marie Descarpentries, chairman, is due to be presented to Brussels within a few days. Failure of the plan, or its rejection by the European Commission, which has frozen FFr2.5bn of state aid to the company and is investigating a further FFr7bn injection pledged last year, could push Bull the way of its factory.

Mr Descarpentries' recovery strategy, drawn up since he took over the group in October, is based on several elements.

Jean-Marie Descarpentries: says profits possible in 1995

The principal ingredients include a reorganisation of the group's divisions to increase efficiency and productivity and to enable greater responsiveness to customers, a series of cost-cutting measures, and plans to privatise the group as quickly as possible.

On the first count, Mr Descarpentries has split the group's operations into separate profit centres. Reporting procedures have been tightened and simplified and accountability has been increased. The performance of each of the group's six product and service divisions is to be assessed at the end of June. Those which fall short of expectations will face management changes, according to the Bull chairman.

Costs are to be cut by the reduction of staff numbers and administrative charges. A plan to reduce the company's headcount by 6,500 in 1993 and 1994 is to be completed by the end of June when a decision will be taken on further job cuts. The company's 24 sites in Paris are to be combined into just two main offices, creating annual savings of about FFr530m.

It is in the privatisation plans, however, that Mr Descarpentries is proposing some of his boldest steps. He says the state's 76 per cent shareholding could be reduced to below 50 per cent this year as a result of increased shareholdings by employees and the sale of a stake of between 15 and 20 per cent of the group to an industrial partner.

Mr Descarpentries says that talks are under way with potential investors. Candidates include NEC of Japan, which already holds 4.4 per cent of Bull and which works with Bull on several joint projects, including the development of mainframe business computers.

The sale of a substantial stake in the French computer group to a foreign company would be politically sensitive, but could receive the blessing of Mr Gérard Longuet, the industry minister, who has set a target of two years for Bull to move to the private sector. A deepening of the alliance between Packard Bell of the US and Bull's Zenith Data Systems personal computer operation is also a possibility.

Partners will only be enticed, however, if there is some prospect of a return on their investment. Bull's record of failed recovery plans, the severity of competition in the international PC market and the scale of the changes which need to be wrought at the French group, demonstrated by losses last year of FFr3.42bn, place a heavy burden of persuasion on the Bull chief.

He argues that it is possible to return Bull to profit during 1995 and that this can be achieved without a fire sale of loss making businesses. "We must break the vicious circle of closing operations and losing sales."

He points to some encouraging signs. January sales were up by 23 per cent, year on year. Even ZDS, the source of much of the company's losses since it was acquired in 1989, is experiencing an improvement in trading results, the company says. The increased concentration on services and consultancy activities will, according to Bull, increase its presence in higher value added business.

If enticing industry partners will be hard, persuading Brussels to accept Bull's recovery plan could be even more difficult. Mr Karel Van Miert, EC competition commissioner, has indicated he will take a tough line, demanding proof of a viable recovery plan.

If the capital increase does go through it is sure to be for the last time. For Mr Descarpentries, therefore, the stakes could not be higher. All of his proposals, from improving productivity to the search for industrial partners, must fit together. Failure on any of the fronts of his battle plan could spell disaster.

PolyGram ahead 21% despite shortage of hits

By Michael Skapinker, Leisure Industries Correspondent

PolyGram, the recorded music company, yesterday announced net income for 1993 up 21 per cent to Fl 614m ($320m), despite a paucity of new hits.

The company, 75 per cent owned by Philips of the Netherlands, said strong performances in the Far East and North America compensated for a relatively weak showing in Europe, its largest market.

European operating income rose 7 per cent to Fl 605m. North American operating income doubled to Fl 104m and the Far East and Japan enjoyed a 22 per cent increase to Fl 197m.

Net sales were up 12 per cent to Fl 7.4bn. The total gross dividend for the year is Fl 0.75, up 15 per cent.

Pop music sales grew by 13 per cent. Classical sales, however, were at a similar level to 1992.

Mr Alain Lévy, chief executive, said budget labels were pushing classical music prices down. He conceded there was a danger that classical recordings might come to be viewed as commodity items. He said PolyGram hoped to resist the trend with classical releases from well-known artists such as Anne Sophie Mutter and Kiri Te Kanawa.

PolyGram's film interests accounted for 9 per cent of total revenues. The company released 13 films last year and intends to release 15 this year. Mr Lévy said PolyGram's film interests had so far produced only "average results" but said the company had learned more about the industry and was on track to producing better results.

Mr Lévy said he did not believe that multi-media and interactive entertainment would take hold as quickly as some analysts and industry insiders thought.

He said that while the technology would appear in homes, those who believed its widespread introduction was imminent failed to take account of consumers' desire for passive entertainment.

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Compaq plans $20m expansion in Texas

By Louise Kehoe in San Francisco

Compaq Computer plans to spend $20m expanding its manufacturing facilities in Houston, Texas. It is adding seven new production lines for desktop and portable personal computers to increase production capacity by 41 per cent. The move reflects rapid growth in PC demand and Compaq's rising market share.

The US expansion follows the recent announcement that Compaq plans to broaden its manufacturing operation in Erskine, Scotland, with a $10.5m expansion. Last year Compaq also opened a new plant in Shenzhen, China. The company is shortly expected to announce expansion of its production facilities in Singapore.

The Houston expansion marks the return of portable personal computer production to the US for the first time in two years. In 1991, the US government imposed trade sanctions on Japanese active matrix flat panel displays, used in notebook computers. As a result, Compaq and other US manufacturers shifted manufacturing off-shore to avoid prohibitive 63 per cent dumping duties.

Last March, the US government lifted the sanction, enabling Compaq to produce portable PCs in the US cost effectively.

However, Compaq officials said their decision to expand US production was based largely on productivity improvements and cost reductions at the Houston plant. The company has doubled its production per square foot in the past two years.

● IBM France, the French unit of International Business Machines, expects stable turnover in 1994, compared to 1993, Reuter reports from Paris.

Exports continued to suffer from a price war which was undermining a rise in demand, said the company. Turnover fell 15.7 per cent in 1993 to FFr30.9bn ($5.3bn).

Turkish privatisation hit by devaluation

Motor company Tofas faces more than one challenge, writes John Murray Brown

A devaluation is just about the last thing an international share issue wants weeks ahead of launch date. But for Tofas, the Turkish motor group, adverse currency movements are simply the latest in a long line of problems.

The Turkish government is selling its 21 per cent stake in Tofas, in which Fiat of Italy and the Turkish Koc group are major shareholders. Brokers expect the issue to be at a significant discount to the market.

The international equity offering is for 20m global depositary receipts (GDRs) and American depositary receipts and is expected to raise between $400m-$450m. It will be followed by a smaller domestic offering. Pricing is due to take place tomorrow.

J Henry Schroder Wagg and Lehman Brothers are joint lead managers and joint global co-ordinators, with Daiwa, Goldman Sachs, Morgan Stanley and UBS as co-leads. If successful, the offering could revitalise Turkey's privatisation programme and open the way for the disposal of a range of Turkish state monopolies in the next two years.

Tofas is Turkey's largest car producer with 25 per cent of the local market. Total car sales grew from 118,000 in 1988 to 311,000 by 1992. Net sales were $1.05bn in 1992, and $1.1bn for the first nine months of 1993.

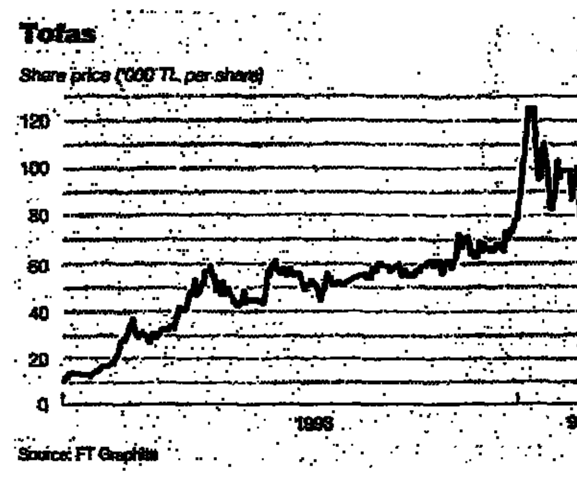
But in many ways the company is an uncomfortable relic of Turkey's protectionist past. It produces out-moded models behind high tariff barriers, supplied by local components manufacturers in which the company is also controlling shareholder.

Tofas is a manufacturing company with its distribution business, Turk Oto Ticaret, separately listed on the Istanbul stock exchange. The issue prospectus goes to lengths to dispel concerns about possible transfer pricing between the manufacturing and distribution businesses.

Tofas is in a curious position. Once import tariffs are scrapped in line with the customs union with the European Union in 1995, there is little to stop Fiat importing direct from Italy instead of sinking further funds into its Turkish subsidiary. Making matters even more precarious, the licensing agreement with Fiat, on which Tofas is dependent for technology and design, expires in 1997.

There are also doubts about the relationship between the Turkish government and Fiat. The government was forced to cancel plans for a full public listing in New York, after Fiat intervened. Both Fiat, with 42 per cent, and Koc, with 34 per cent, were known to have reservations, particularly over the rigorous disclosure demanded by the US Securities and Exchange Commission.

The present international share issue is a more restricted private placement with institutional investors, with GDRs issued in European markets. A small amount of stock will be floated in a secondary offering in Istanbul, where Tofas is listed.



Source: FT Graphite

Last month's 12 per cent devaluation of the Turkish lira has cast further doubt over the sale. Tofas is vulnerable to currency instability since its recent profits performance has been fuelled in large part by the availability of easy credit. With interest rates pushed higher to defend the currency, Turkish hire purchase costs have rocketed and consumer demand fallen.

The currency turbulence has meant the banks are unwilling to underwrite the Turkish offering, which is being allotted in a "best offer" basis.

A quarter of Tofas' 8,500 workforce is being stood down for a month as part of a production slowdown. But the company is planning to spend $500m to increase installed capacity to 300,000 cars by the end of 1996. There are also plans for new lines. At the same time, the industry is lobbying for a five-year reprieve to the customs union deadline.

Reprieve or not, motor industry analysts anticipate shrinking market shares for local car producers, reduced margins, and lower real earnings, as imports increase.

Panamco to increase stake in subsidiaries

By Damian Fraser in Mexico City

Panamerican Beverages (Panamco), Latin America's largest soft drinks bottler, wants to buy minority interests in its Mexican subsidiaries.

If the offers are accepted, the purchase price would be about $500m. It will be funded by $100m in cash and a bank loan.

Panamco is the second-largest Coca-Cola bottler in the world, with annual sales of $957m in 1992. It plans to refinance part or all of the purchase with a public offering of its 'A' stock. Panamco directors have already agreed to tender their shares in the subsidiaries and stand to gain $50m from the transaction.

Panamco has significant interests in Mexico, Brazil and Colombia, controlling about 50 operating subsidiaries in the three countries. Coca-Cola owns about 10 per cent of the company, but has not made it an anchor bottler.

Panamco intends to buy up to 46 per cent of Azteca, its holding company for Mexican operations, and outstanding shares held by minority investors in subsidiaries controlled by Azteca. It said the price offered for shares in Azteca and subsidiaries is equal to 13 times 1993 earnings. Neither Azteca nor subsidiaries has publicly traded stock.

"This is an intelligent way for Panamco to take a bigger stake in their fastest growing market," said William Scovin, an analyst with Nomura, the brokerage.

Kone close to finalising sale of cranes unit

By Christopher Brown-Humes in Stockholm

Kone, the Finnish elevators group, is close to finalising the sale of its cranes unit as part of its strategy of focusing on core business. The company is not identifying the buyer until discussions are complete.

Kone Cranes is a world leader in industrial cranes and ship-to-shore cranes. Since it was formed in 1930, the operation has grown to span 40 companies in 20 countries.

Analysts believe the unit could fetch up to FM1bn ($181m), although it is hard to value because the group does not specify profit figures for individual operations.

Kone Cranes had sales of FM1.9bn in 1993, up 26 per cent.

Recession cuts profit at Esab to SKr82m

By Hugh Carnegy in Stockholm

Esab, the world's leading producer of welding equipment, yesterday reported a near 50 per cent slide in 1993 profits after financial items to SKr82m ($10m), as income fell from recession-hit Europe and a cooler Brazilian market.

But the Swedish group said 1992 profits had been inflated by a one-off profit of SKr99m. It said income in the fourth quarter of 1993 accounted for more than half the income for the full year, and predicted a strong improvement in 1994 as demand in some European countries and Brazil had stabilised and growth continued in North America.

Sales in 1993 rose to SKr7bn from SKr6.4bn, and orders grew to SKr7.13bn from Skr6.4bn. But Esab said these were distorted by the sharp fall last year in the Swedish krona; taking this into account, sales fell by 4 per cent. The company is holding its dividend at SKr3.25 per share.

Esab has faced a sharp decline in the main western European markets for welding equipment – Germany and Italy – since 1991. But it expanded in Russia and eastern Europe, acquiring 70 per cent of the Czech republic's leading welding company, Zelezarny-Vamberk.

In January it also signed contracts to set up two joint ventures in China, the largest a plant in Shanghai which will have a production capacity in 1995 of 30,000 tonnes of welding electrodes.

INTERNATIONAL COMPANIES AND FINANCE

Kmart slips further into the red in final quarter

By Richard Tomkins in New York

Kmart, the US retailing group that ranks as the world's second biggest, has ended a dismal year by reporting after-tax losses of more than $1bn for the fourth quarter to January.

Its shares, up $⅛ at $19¼ in early trading, were close to their 12-month low.

Net losses of $1.19bn for the quarter, compared with net profits of $535m last time.

For the year, Kmart reported net losses of $974m, against net profits of $941m last time on sales of $34.2bn, against $31bn.

A big factor in both sets of figures was a pre-tax restructuring charge of $1.3bn announced two months ago.

However, the company acknowledged that the main reason for the poor financial performance in the quarter and the year was an erosion in its gross margin to 24.9 per cent, from 26.5 per cent last year, caused by the highly competitive conditions in the retail market.

During the year, Kmart moved to counter five previous years of stagnant earnings by embarking on a radical restructuring.

It sold its loss-making Pace Membership Warehouse and PayLess Drug Stores chains, announced an extensive relocation of its discount stores, embarked on the rapid expansion of its new Super Kmart format, and prepared to sell minority stakes in its specialty retailing operations.

The shares have responded poorly to the moves because the market is not yet convinced that Kmart has found a formula that will restore earnings growth. It is suffering tough competition in a saturated market, particularly from its bigger rival Wal-Mart.

Kmart said yesterday that if continuing operations were split from discontinued operations and all the restructuring provisions were stripped out, it would have reported net income of $534m for the full year.

However, this would still have represented a decline from $882m the previous year on the same basis.

In the fourth quarter, sales rose to $10.27bn from $9.44bn excluding the discontinued operations.

Excluding the restructuring provision and other non-recurring charges, net income from continuing operations fell to $247m from $501m, or to 53 cents a share from $1.07.

After all charges, the net losses of $1.19bn translated into losses of $2.61 a share, compared with earnings per share of $1.15 last time.

Aetna hit by claims from California earthquake

By Richard Waters

Aetna, the US composite insurer, warned yesterday the southern Californian earthquake and winter storms would cost it $120m or $1.07 a share in the current quarter.

The company put its losses from the earthquake at $80m, making it one of the largest losses yet announced by a US insurer.

In all, the cost to the insurance industry of the earthquake is expected to reach $2.5bn.

The expected earthquake losses, which are after reinsurance and tax, resulted from 2,500 claims in the affected area, the company said.

It added that it expected to receive 31,000 claims from the winter storms of January and early February, with net losses put at $40m.

As a result of these first-quarter items, Aetna said it would drop its earnings forecast for the year to $5.65 a share, from $6.50 a share.

Viacom lifted by rise in European MTV subscribers

By Richard Waters in New York

A sharp rise in the number of European subscribers to Viacom's MTV music video network was behind an 11 per cent advance in operating earnings at the US cable television group last year.

The company, which won a $10bn takeover battle for Paramount Communications a fortnight ago, benefited from a 25 per cent fall in its debt service costs, to $145m, and a reduction in its effective tax rate to 43 per cent from 55 per cent.

These factors contributed to net income for the year of $158.2m or $1.31 a share, up from $49m or 41 cents in 1992.

By the end of the year, MTV Europe had 58.3m subscribers, up from 43m, 12 months earlier. With other parts of the MTV Networks division, including Nickleodeon, recording only modest gains in subscriber numbers, the European performance largely accounted for the division's 27 per cent revenue increase, to $677.9m from $533.4m.

Operating earnings reached $239.7m, up from $172.9m

Showtime, Viacom's other network operation, recorded a 5 per cent rise in revenues, to $543.3m, while operating earnings slid to $32.3m from $35.2m.

Earnings fell in the cable television division, due to new regulations on rates charged to subscribers. Revenues rose 1 per cent to $416m, while operating earnings fell 9 per cent to $110m.

For the final three months of the year, Viacom's net income was $13.6m or 11 cents a share, after a $12.8m dividend on convertible stock issued to Nynex and Blockbuster Entertainment, which had backed the Paramount bid.

This compared with net income of $11.6m or 10 cents a year before.

Federated Stores advances 39%

By Richard Tomkins

Federated Department Stores, US owner of Bloomingdale's and several other department store chains, yesterday reported that net income before extraordinary items had risen by 39 per cent to $146m for the fourth quarter to January. This was in spite of a fall in gross margins.

Federated, like other US store groups, has been forced to cut prices in the intensely competitive retailing environment. But the group has increased profits by selling more goods and cutting costs.

It is trying to secure profits growth for the longer term through its attempt to gain control of the rival R H Macy department store group, in Chapter 11 bankruptcy protection.

Federated's fourth-quarter turnover rose by 3.8 per cent to $2.35bn, with same-store sales rising 2.1 per cent. Helped by a gain of $24m from the favourable settlement of disputed bankruptcy claims, the company increased operating profits by 29 per cent to $287.6m.

Net income of $146m, compared with $105.1m or $99m after extraordinary items. Earnings per share were $1.16 against 83 cents, or 78 cents after extraordinary items.

Full-year turnover rose by 2.1 per cent to $7.23bn while net income before extraordinary items rose by 48 per cent to $196.8m. After extraordinary items it rose to $193.2m from $113m.

Mr Allen Questrom, chairman and chief executive, said this year's emphasis would be on accelerating sales growth and continued cost-cutting.

Olivetti shifts Asia Pacific base to China

Olivetti, the Italian computers group, is to lift its presence in the rapidly growing Chinese market by making Beijing the base for all its Asia Pacific operations, writes John Simkins in Milan.

These operations have previously been directed from the group's Ivrea headquarters. The company plans to focus within China on bank automation. Olivetti is the leading European producer in this area.

Olivetti has been active in China since the mid-1980s through offices in Beijing and Shanghai, and a regional base in Hong Kong.

A joint venture with the Industrial Commercial Bank of China will produce automatic teller machines for the Chinese market. Olivetti will have a 40 per cent stake in the operation.

Iberdrola climbs 12% despite weak peseta

By David White in Madrid

Iberdrola, Spain's largest private-sector electricity generator, showed an increase of almost 12 per cent in its 1993 pre-tax profit to Pta91.1bn ($650m).

This was in spite of Pta34.9bn in foreign exchange losses caused by the depreciation of the peseta last year.

Extraordinary gains of Pta12.1bn included the sale of shares in Fecsa, the Catalan utility, and other assets to the state-controlled Endesa group as part of a reorganisation plan for the Spanish electricity sector.

Turnover rose 2 per cent in the year to Pta767.6bn. The company's hydroelectric output recovered 42 per cent from the previous year's abnormally low level but was still below average.

Nuclear energy accounted for 57 per cent of total output.

- Sonae Group, Portugal's biggest private-sector conglomerate, more than doubled net profits to Es4.9bn ($28.2m) for 1993 on turnover ahead 9 per cent at Es228bn, writes Peter Wise in Lisbon.

Sonae Distribuicao, which takes in the Modelo discount supermarket chain and Continente hypermarkets, achieved a 21 per cent rise in sales to Es202bn and a 7 per cent increase in net profits to Es13.7bn.

However, the group's industrial operations, centred on wood laminate production, registered a net loss of Es3.7bn, compared with a loss of Es3.4bn last time.

Mr Belmiro de Azevedo, president, announced a dividend of Es150 a share for Sonae Investimentos, the group holding company, compared with Es50 in 1992. The dividend for Modelo was fixed at Es140 a share and at Es240 for Continente.

PWA sees return to profits in 1995

By Robert Gibbens in Montreal

PWA, parent of Canadian Airlines International, suffered another heavy loss for 1993. However, the airline is predicting a small loss in 1994 and a return to profitability the following year.

PWA's consolidated net loss for 1993 was C$292m (US$221m) or C$6.13 a share, after charges of C$112m.

Operating revenues were C$2.97bn. This compared with a loss of C$543m or C$11.37 a share, including C$333m restructuring charges, in 1992. Revenues were C$2.88bn.

In 1993, strong international and charter revenues were partly offset by a depressed domestic market.

PWA forecasts a small loss for 1994 and a profit of about C$75m in 1995.

Mr Rhys Eyton, PWA chief executive, said: "Once our financial restructuring is completed in early 1994 our results will reflect even further improvement, as expenses will benefit from reduced aircraft rental and interest costs."

The financial restructuring hinges on the C$246m equity infusion from American Airlines.

INTERNATIONAL COMPANIES AND FINANCE

Japanese companies downgrade forecasts

By Emiko Terazono in Tokyo, Our Financial Staff in London and agencies

More Japanese companies have warned that their profits for the current financial year may not match earlier forecasts.

In the case of Mitsukoshi, Japan's most prestigious department store, which has links with Harrods of London, the pre-tax loss is expected to worsen due to poor sales to corporate customers.

The retailer expects a non-consolidated pre-tax loss for the year to last month to widen to Y3.5bn ($33m) from a previously forecast Y2.3bn.

Mitsukoshi expects to post its second consecutive pre-tax loss, highlighting the problems facing Japanese department stores amid the current downturn in the economy and the sharp fall in consumer confidence.

Department stores have also faced declines in sales due to an increase in competition from discount retailers, especially in the clothing sector.

The company said it would post an extraordinary loss of Y5.1bn due to the liquidation of three affiliates, Mitsukoshi Restaurant Service, a sports club, and a Paris-based designer brand retailer.

However it will also post a special profit of Y5.8bn from assets sales, including a workshop in central Tokyo and condominiums, which have been sold to a real estate affiliate.

All Nippon Airways warned that it would be unable to post earlier projected non-consolidated sales of Y782bn for the current year to March.

Mr Seiji Fukatsu, ANA president, said that, although the pre-tax profit forecast of Y6bn would remain the same, annual sales could now total only Y750bn.

In the telecommunications industry, Nippon Telegraph and Telephone (NTT) foresees its unconsolidated, or parent only, pre-tax profit for the coming fiscal year beginning April 1 falling by 1.9 per cent to Y104bn from the Y106bn estimated earlier.

The forecast came as part of NTT's business plan for the coming fiscal year. The company is Japan's largest carrier of telephone calls.

NTT's president, Mr Masashi Kojima, said that, even with pre-tax profit of Y104bn for the coming fiscal year, the company would have to carry forward profit from the current fiscal year to pay its regular dividend of Y5,000 per share.

Mr Kojima warned that the telecommunications giant wanted to raise basic monthly phone charges and charges on telephone directory assistance services.

Kokusai Denshin Denwa, Japan's international telecommunications company, said it expected Y29bn in current profit in 1994-95, starting April 1, up Y1bn from this year.

KDD said its estimate of current profits for 1993-94 has been cut to Y28bn from a Y30bn estimate made in October last year.

KDD plans to invest Y60bn in plant and equipment in 1994-95, compared with an estimated Y55bn for the current business year. "We expect the international communications market to remain firm in 1994-95," it said.

Strong growth in exports helps Daewoo lift profits

By John Burton in Seoul

Daewoo, South Korea's fourth-largest conglomerate, has reported a 56 per cent increase in net profits to Won298bn ($368m) in 1993 on sales up by 35 per cent to Won27,027bn.

The jump in earnings reflected strong exports of cars and electronics as the Korean won fell against the Japanese yen.

The group's securities business also had sharply rising profits due to the recovery of the Seoul bourse last year.

Daewoo Corporation, the group's trading and construction unit, had a 20 per cent rise in profits to Won48.6bn because of increased shipments of exports. Sales grew by 17 per cent to Won9,534bn.

Daewoo Electronics' profits increased by 19 per cent to Won19bn as sales rose by 16 per cent to Won2,000bn, while Daewoo Motors cut its losses to Won60bn from Won90bn in 1992 as exports grew by 80 per cent to 100,000 vehicles. Sales increased by 29 per cent to Won2,200bn.

The group's most profitable subsidiary is still Daewoo Shipbuilding, although earnings declined slightly to Won200bn from Won211bn in 1992. Last year's flat profit growth reflected sluggish orders received in 1992. However, it recorded the largest number of orders among the world's shipbuilders last year, indicating that earnings will increase in 1994. Sales were unchanged at Won1,554bn.

Daewoo Heavy Industries, a machinery producer, reported a 59 per cent increase in profits to Won16.7bn, although sales declined by 2 per cent to Won882bn.

Daewoo Shipbuilding and Daewoo Heavy Industries are scheduled to merge this year.

Daewoo Telecom had a profit rise of 11 per cent to Won7.3bn on 24 per cent higher sales of Won473bn.

Orion Electric reported earnings down by 38 per cent to Won3.2bn as sales rose by 18 per cent to Won477bn.

Daewoo Securities had the biggest profit rise among the group's main businesses, with earnings growing by 64 per cent to Won80bn. Sales increased by 16 per cent to Won440bn.

Government subsidy bolsters first-half earnings at Sasol

By Matthew Curtin in Johannesburg

Sasol, South Africa's oil-from-coal petrochemicals producer, reaped rich rewards from its R2.5bn investment in new chemical projects in the half-year to December 25. The group reported a 40 per cent surge in pre-tax profit to R1.06bn ($305m) from R759m in the same period of 1992.

The improvement was achieved through productivity gains and the rand's weakness against the dollar, which lifted export revenues. However, the robust performance, which saw sales climb to R4.67bn from R4.34bn, includes an estimated R450m government subsidy at the pre-tax level.

Sasol's synthetic fuel operations are compensated for any fall in oil prices below a floor of $21.85 a barrel, adjusted from $23 late in 1993. The subsidy has increased as international crude oil prices have sunk to new lows of below $13 in recent months.

Mr Paul Kruger, managing director, said the investment in petrochemicals helped lift operating margins while cost cutting had continued at the group's mines and synthetic fuel operations.

Mr Kruger added that talks on the deregulation of the South African oil industry were proving to be "difficult, slow but going ahead". He said that progress was likely to accelerate once a new government was installed.

Operating income rose to R1.11bn from R822m. The exhaustion of tax allowances led to a jump in tax provisions to R365.8m from R158.7m. After-tax profit rose 16 per cent to R698.7m from R600.3m. Earnings improved to 115.9 cents from 99 cents a share. An 11 per cent higher dividend of 42 cents against 38 cents is declared.

The group has completed the revamp of its Sasol 1 synfuel plant, now dedicated to chemical production, and has commissioned the expansion of Natref, the Durban oil refinery jointly owned with Total. Meanwhile, production has started in this calendar year at Polifin, the R400m petrochemicals joint venture with AECI, the Anglo American-owned chemicals group.

Pension fund offsets Comalco fall

By Emilia Tagaza in Melbourne

Comalco, the integrated Australian aluminium producer which is 67 per cent owned by the country's CRA group, yesterday has reported net profits of A$86.7m (US$62.5m) for 1993, more than double the previous year's A$42.5m.

The profit was due largely to a gain of A$35m from the increased value of pension fund investments and a A$24m fillip from the reduction in Australia's company tax rate from 39 per cent to 33 per cent.

However, the group's main business operations suffered heavily from the steep fall in 1993 metal prices. Net operating profit fell to A$28m, down 35.6 per cent from 1992's A$43.5m.

Total sales of A$2.2bn showed a slight improvement on the A$2bn of 1992, due mainly to a rise in sales volumes in smelting and downstream operations helped by a weaker Australian dollar.

Mr Nick Stump, group chief executive, said the company has responded to the global oversupply of aluminium by slashing production at Bell Bay smelter in Tasmania. Mr Stump said the plant's capacity of 120,000 tonnes a year would be cut by 30% at the end of this month.

The excess world supply, along with aboriginal claims on Comalco's mining leases, are threatening the short-term viability of the company's plans to double the output of its main smelter at Boyne Island in northern Queensland. Comalco and its partners have decided to delay the final decision on the expansion project until March 31.

The group has declared a fully franked final dividend of 3 cents a share, making a total of 6 cents for the year, up 1 cent.

Malaysia Airlines share sale to MHS approved

By Kieran Cooke in Kuala Lumpur

Shareholders in Malaysia Airlines (MAS), the country's partially-privatised flag carrier, have agreed to changes in its charter allowing a large stake in the company to be sold to Malaysian Helicopter Services (MHS), at present a company dealing mainly in support services for the Malaysian oil and gas industry.

The way is now clear for MHS to take up a 32 per cent stake in MAS bought late last year from Bank Negara, the Malaysian central bank, for M$1.79bn (US$656.5m). MHS says it intends to fund the purchase by a public offering of new MHS shares.

MHS is a relatively small company controlled by Mr Tajudin Ramli, a close business associate of Mr Daim Zainuddin, the former Malaysian finance minister reputed to be one of Malaysia's most influential business people.

In recent months MHS has been on an aggressive acquisition hunt. It now has substantial stakes in a Malaysian shipping line, 25 per cent of World Airways, the US cargo and passenger charter company, and 18 per cent of Pelangi Air, a small Malaysian airline.

Strength of yen hits Sumitomo Rubber result

By Michiyo Nakamoto in Tokyo

The weak state of Japan's economy and the rise in the yen were blamed for a 32 per cent fall in parent company pre-tax profits at Sumitomo Rubber, a leading manufacturer of tyres.

Sumitomo, which owns Dunlop in the UK, France and Germany,

said the sluggish state of Japan's car industry and increasing moves to produce cars overseas had adversely affected demand for tyres and resulted in pre-tax profits falling to Y8.04bn ($76.8m) in 1993 from Y11.8bn a year earlier.

Samsung Electronics doubles surplus

By John Burton

Samsung Electronics, South Korea's largest electronics company, yesterday reported a 113 per cent increase in net profits to Won154.8bn ($191m) for 1993 as sales climbed by 32 per cent to Won8,155bn.

The jump in earnings reflected strong export sales by its semiconductor division, with a 94 per cent rise in turnover to Won2,600bn.

Samsung is the world's seventh biggest manufacturer of semiconductors and ranks first globally in the production of memory chips.

Samsung Electronics also makes consumer electronics, telecommunications equipment and computers.

Arab bank chief to step down

Arab Banking Corp has confirmed that its president and chief executive Mr Abdulla Saudi, a Libyan national, is stepping aside effective May 1, Reuter reports from Manama.

"Notwithstanding record-breaking results for 1993, the board of directors reluctantly agreed with the president and chief executive that, owing to external circumstances, such a decision was necessary to protect shareholders' interests and safeguard the bank's future," the bank said.

The board has appointed Khalifa al-Muhairy, co-deputy chairman of the bank, to chair a committee which will be entrusted with the responsibilities of chief executive officer pending a permanent appointment, it added.

Woodside unit to axe 430 jobs

Woodside Offshore Petroleum, part of the Australian oil and gas producer and the operator of the North West Shelf gas project, is to axe around 430 jobs as part of a restructuring of its Western Australian operations, writes Nikki Tait in Sydney.

White knight for Aztec Mining

Pancontinental Mining, the diversified Australian mining house, has emerged as a "white knight" for Aztec Mining Company, the Sydney-based miner confronting an unwanted A$261m (US$188m) bid from Mr Robert Champion de Crespigny's Poseidon Gold, writes Nikki Tait.

Aztec is recommending an all-paper offer from Pancontinental of six Pancontinental shares and three Pancontinental options for every 16 Aztec shares. The options have a strike price of A$2.30 and expire at end-June 1997.

Based on the average price for Pancontinental over the past week, the offer is worth around A$0.76 per Aztec share, valuing the company at A$292m. PosGold's cash bid is pitched at A$0.68 a share.

Critically, the new offer has the backing of Aztec's major shareholder, the US-based Alumax group, which holds 37 per cent of the shares.

Metallgesellschaft and MIM to swap

MIM Holdings, the Australian metals group, and Germany's Metallgesellschaft have finalised the agreed exchange of certain jointly-held zinc interests in Germany, so that the different assets – MHD "Berzelius" Duisburg and Ruhr-Zink – end up being full owned by one or other company, writes Nikki Tait.

The deal was announced before the extent of the financial problems at Metallgesellschaft became apparent, although MIM subsequently expressed confidence that the deal would be completed as planned.

Agfa-Gevaert in link with Daiei

Daiei, Japan's largest supermarket chain, has linked with Agfa-Gevaert, the German photographic film maker, in an attempt to break into Japan's tightly held film market with an inexpensive German-made product branded under its own name, writes William Dawkins in Tokyo.

The film will retail at a 60 per cent discount to average photographic film prices, said a Daiei spokesman. On the strength of this the company Daiei is planning to achieve a market share of around a 3 per cent in the first year.

Currently, the Japanese photographic film market is dominated by Fuji, with a 70 per cent share, followed by Kodak and Konika with just under 30 per cent combined, and Agfa-Gevaert with less than 1 per cent.

Halifax Building Society

£100,000,000 Collared floating rate notes due 2003

Notice is hereby given that the notes will bear interest at 7% per annum from 25 February 1994 to 25 August 1994. Interest payable on 25 August 1994 will amount to £347.12 per £10,000 note and £3,471.23 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

BRADFORD & BINGLEY

£100,000,000 Floating rate notes 1996

Notice is hereby given that the notes will bear interest at 5.4% per annum from 25 February 1994 to 25 May 1994. Interest payable on 25 May 1994 will amount to £131.67 per £10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Republic of the Philippines

US$5,313,000 Series 1992 A Floating rate bonds 2010

The A Bonds will bear interest at 4.8125% per annum for the period 1 March 1994 to 1 September 1994. Interest payable on 1 September 1994 per US$1,000 note will amount to US$24.60.

Agent: Morgan Guaranty Trust Company

JPMorgan

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 01.03.94: Pool purchase price £/MWh	Final Prices for Trading on 01.02.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.38	17.42	17.42
0100	18.40	20.78	22.78
0130	18.43	25.50	27.48
0200	18.43	25.50	27.48
0230	18.40	21.04	23.02
0300	18.40	21.04	23.02
0330	18.40	21.04	23.02
0400	18.38	17.42	17.42
0430	18.32	17.38	17.38
0500	18.30	17.29	17.29
0530	18.08	17.24	17.24
0600	18.08	17.28	17.28
0630	18.22	17.28	17.28
0700	18.62	20.71	22.68
0730	18.80	20.91	22.88
0800	18.84	21.34	23.32
0830	17.02	21.26	23.24
0900	17.35	21.34	23.32
0930	17.02	21.34	23.32
1000	17.72	21.74	23.71
1030	17.72	21.74	23.71
1100	17.72	21.74	23.71
1130	17.72	23.38	25.34
1200	17.72	23.38	25.34
1230	17.72	23.38	25.34
1300	17.35	23.38	25.34
1330	17.38	21.73	23.71
1400	17.35	21.73	23.71
1430	17.02	17.44	17.44
1500	17.02	17.44	17.44
1530	18.48	17.44	17.44
1600	17.04	17.43	17.43
1630	18.47	17.45	17.45
1700	20.81	19.04	19.04
1730	33.53	32.86	36.28
1800	33.77	33.12	36.48
1830	25.78	30.64	32.87
1900	25.55	25.72	27.77
1930	20.56	25.47	27.46
2000	18.24	21.35	23.32
2030	17.02	21.26	23.24
2100	17.01	21.26	23.24
2130	18.41	21.26	23.24
2200	18.33	21.26	23.24
2230	16.20	17.48	17.48
2300	18.04	17.44	17.44
2330	10.62	17.34	17.34
2400	10.60	17.34	17.34

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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COMPAGNIE BANCAIRE

Société Anonyme

Incorporated in France with limited liability.
Regd. Office: 5 avenue Kléber, Paris 16ème.

NOTICE OF ORDINARY AND EXTRAORDINARY GENERAL MEETING

The shareholders of Compagnie Bancaire are invited to attend the Ordinary and Extraordinary General Meeting to be held on Wednesday, 23rd March, 1994 at 5.00 p.m. at the Head Office, 5 avenue Kléber, Paris 16ème, to consider the following Agenda:

- The Report of the Board of Management on the current activities and position of the company.
- The Report of the Auditors.
- The comments of the Supervisory Board.
- The approval of the accounts for 1993 and appropriation of profits.
- The option to pay the dividend in the form of shares.
- The renewal of the mandate of the auditors.
- The authorisation of the Board of Management to buy and sell shares of the Company on The Stock Exchange in order to regulate their price.
- The renewal of the authorisation delivered to the Board of Management to issue convertible securities.
- The reduction of the duration of the mandate of the members of the Supervisory Board and the censors and the corresponding change of the statutes.
- The ratification of the co-optation of a Supervisory Board's member.
- The ratification of the co-optation of a Supervisory Board's member and the renewal of his mandate.
- The renewal of a censor's mandate.
- The nomination of three censors.
- Any other business.
- Authorisation to implement the above procedures

In order to attend or be represented at the Meeting, owners of registered shares must have been entered on the register five clear days prior to the Meeting. Holders of bearer shares must deposit, at least five clear days prior to the Meeting at the Head Office, the certificate of deposit, issued by the bank, financial institution or stockbroker with whom the shares are lodged.

Postal votes must be received at the Head Office of the Company on the appropriate form six days in advance of the meeting.

Shareholders who wish to attend the Meeting are requested to make advance application to the Company for an admission card.

German repo move sparks tentative recovery

By Conner Middelmann in London and Patrick Harverson in New York

After last week's sell-off, most European government bond markets firmed slightly yesterday. However, with long-term investors still sidelined and cash dealings thin, dealers said the consolidation remains fragile.

GOVERNMENT BONDS

■ German government bonds sparked the early rally, fuelled by hopes for imminent credit easing after the Bundesbank called for bids on variable-rate securities repurchase agreements.

After three months of freezing the repo rate at 6 per cent, the central bank's return to variable-rate repos – where banks bid what they are willing to pay – raised hopes that the repo rate could continue to edge lower.

However, dealers were split over the likely extent of the easing at today's repo allocation. While some expect the rate to fall by between five and 10 basis points, others said banks might bid very cautiously given recent money market tightness.

Bidding is further complicated by the fact that the Bundesbank's lower minimum reserve requirement takes effect today, releasing substantial liquidity.

Bunds' strength was underpinned by strength in the US Treasury market on encouraging comments from Federal Reserve Board governor Lawrence Lindsey.

However, traders started taking profits in the afternoon, dragging taking the March Bund future back below 97.00, which is seen to make it technically vulnerable to the downside.

Comments from Bundesbank council member Mr Otmar Issing exacerbated late weakness. In an interview with AP-Dow Jones, he said January M3 money supply could be in the double digits, well outside the Bundesbank's 4-6 per cent target range. The numbers are expected to be released in the second half of this week.

A further pressure on bunds was impending supply, with the Treuhandanstalt due to issue new bonds today. Most traders expect some DM10bn of 10-year paper, but say it is likely to meet a lukewarm reception.

"Most of the bonds will probably land on banks' books – investors are still quite wary and there's just no retail demand," said Mr Torsten Böhler, senior bond analyst at UBS.

■ French government bonds tracked Bunds higher, inspired by hopes that a lower German repo rate might give the Bank of France fresh scope for easing after last week's small 0.10 point cut in the intervention rate, to 6.10 per cent.

The March notional OAT future rose 0.92 point to 126.96, though it fell back to around 126.76 in after-hours trading.

■ UK gilts held on to most of their gains, with the March long gilt future closing at 113½, up 11/16 point on the day. "It was a quiet day – we saw some buying, but not in great size," said a gilt salesman at a large UK bank.

■ Japanese government bonds held on to their soft tone ahead of today's release of the Bank of Japan's quarterly Tankan economic report, and the auction of 10-year bonds. Mr James Greener, economist at Toyo Trust, said he expected some Y1,200bn of 4.1 per cent 10-year bonds to be sold. "Retail demand is likely to be very slack – especially after the disappointing four-year auction last week."

■ US Treasury prices firmed slightly across the board yesterday morning in the wake of a report from Chicago-area purchasing managers that was moderately bullish for bonds.

By midday, the benchmark 30-year government bond was up ⅛ at 94¼, yielding 6.689 per cent. The two-year note was also higher at the halfway mark, up 1/32 at 99¾, to carry a yield of 4.675 per cent.

After firming overnight, due to buying in Tokyo, Treasury prices received another modest boost in the New York morning session after the Purchasing Management Association of Chicago reported a 59.6 per cent rise, to 60.2 per cent, in its February index of business activity in the region.

Although an increase had been expected, what pleased bond dealers and investors was a decline in the price and employment components of the purchasing managers' index.

Traders said the data might normally have had little impact upon the market. However, with bonds looking oversold in the wake of recent heavy losses, it only took the slightest piece of good news to attract buyers.

The market was also relieved that, following a worrying Philadelphia Federal Reserve report that pointed to rising prices in the region, yesterday's Chicago purchasing managers report said prices locally showed signs of easing in February.

DTB lifts margin requirement on bund future

By Conner Middelmann

The German futures and options exchange (DTB) has increased the margin requirement on its government bond futures contract and its DAX stock index future.

The move follows the recent rise in volatility in Germany's bond and stock markets. An official said the new margin requirement took effect yesterday, and would remain in force until further notice.

"The 30-day volatility in the bund future was higher than we had assumed under our worst-case scenario," the DTB said.

"Last Thursday, the [March] contract closed 108 ticks below the previous day's close, while our worst-case scenario assumed a maximum move of only 100 ticks," it said.

Margins represent the collateral that an investor must deposit to secure an investment position.

The DTB's margin on the bund future was raised to DM3,000 (the equivalent of a 120-tick move on the future) per contract from DM2,500 (100 ticks). The margin on the DAX future was increased to DM13,000 (130 index points) from DM11,000 (110 index points).

Europe's other large exchanges are not envisaging similar moves.

"The exchange is not planning to change its initial margin on the bund future," said a Liffe official, noting there was always the possibility of making intra-day margin calls at times of high volatility. Liffe's initial margin requirement on the bund future is currently DM2,000.

"We are constantly monitoring volatility levels to ensure the margin requirements are appropriate, but for the moment we are not considering any changes," a Matif official said.

Volatility, interest-rate uncertainty deter borrowers

By Sara Webb

A handful of borrowers announced plans yesterday to tap the international bond markets. However, on the whole, new issue activity remained rather subdued in the wake of the recent turbulence in Europe's financial markets and uncertainty over US interest rates.

INTERNATIONAL BONDS

Ontario Hydro, the largest electricity utility in Canada, plans to launch a C$1bn global floating-rate note (FRN) with a five-year maturity. Merrill Lynch, the joint bookrunner, said the deal would provide investors with the first substantial FRN offering in Canadian dollars. Ontario Hydro, which has an Aa2/AA- credit rating, has an expected borrowing requirement of between C$2bn and C$3.8bn per annum over the next three years.

Given that the US Federal Reserve has already raised short-term interest rates, and the somewhat uncertain interest rate background, Merrill said it expected to see demand for the FRN from investors who want exposure to Canadian dollars, and who are expecting a similar rise in Canadian short-term interest rates.

Waiting in the wings for more suitable market conditions is a $500m, 10-year fixed-rate Eurobond issue from the African Development Bank. The bank is a relatively rare borrower in the international bond market: the proceeds will be used for general treasury purposes.

Kreditanstalt fur Wiederaufbau, known as KfW, announced yesterday it would delay the launch of its much-publicised dragon bond issue until market conditions had stabilised.

KfW, with a triple-A rating, has been planning to bring a $300m, five-year fixed-rate dragon bond to Asian investors, but decided to delay the issue because of the current weakness in the US Treasury bond market.

Meanwhile, undeterred by the market conditions, International Telecommunications and Satellite Organisation (Intelsat), launched a $200m, 10-year dragon bond issue priced to yield 37 basis points over the US Treasury bond.

Nationwide Building Society is redeeming a £300m issue of floating-rate notes early, and is offering investors the chance to switch into a new issue on slightly more attractive terms, which effectively gets rid of the 5 per cent floor.

The issue was launched in 1986 and is due to mature in October 1996. It had a coupon of one-month Libor plus 8 basis points, and had a floor of 5 per cent.

The new issue, which will be for up to £300m, is paying a coupon of Libor plus 10 basis points and will also mature in October 1996. Baring Brothers, the lead manager, said there was a shortage of paper maturing in 1996.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
CCCI‡	250	(a)	99.74R	Mar.1997	0.15R	-	CS First Boston
Intelsat	*200*	*6.625#*	*99.84R*	*Mar.2004*	*0.325R*	+37 *(5⅞%-04)*	Goldman Sachs (Asia)
Tomoku Co.(b)Φ	100	1.00	100.00	Mar.1996	2.25	-	Nikko Europe
STERLING							
Nationwide B/S(c,d)‡	max300	(e)	100.00	Oct.1996	undisd.	-	Baring Brothers
Morgan Stanley Group‡	150	(a)	99.765R	Mar.1996	0.175R	-	Morgan Stanley Intl.
YEN							
Korea Development Bank	*20bn*	*4.70*	*100.00*	*Mar.2004*	*0.325*	-	*Bank of Tokyo Capl. Mkts.*
CANADIAN DOLLARS							
DNIB(c)	125	6.00	100.295R	Dec.1997	0.20R	+10 (f)	ScotiaMcLeod

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +⅛%. b) Fixing: 8/2/94. c) Short 1st coupon. d) Callable on coupon dates from Apr.95 at par. e) 3-mth Libor +0.1%. f) Over interpolated yield.

Thai bank plans $400m Euro-convertible issue

By William Barnes in Bangkok

Thai Farmers Bank is to raise $400m with Euro-convertible debentures to help fund its long-term growth plans. The move comes in spite of fears that a rush of recent issues may have temporarily saturated the market.

The bank's executive chairman, Mr Banyong Lamsam, said there was still enough demand from foreign and local investors to take up the issue.

He said the market's appetite for convertible debentures with a 10-year maturity, non-convertible debentures or warrants, or a mixture would dictate the nature of the offer.

Thai companies raised $1.4bn through Euroconvertibles in 1993, following an easing in Thai financial regulations. However, the dubious quality of some issues, the stalling of the local stock market, and the increase in global interest rates may have taken much of the wind out of this particular fund-raising channel.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		*9.500*	*08/04*	*116.3400*	*+0.280*	*8.91*	*8.72*	*8.18*
Belgium		7.250	04/04	102.1000	+0.500	6.95	6.93	6.52
Canada *		6.500	06/04	96.5500	+0.250	6.96	6.94	6.33
Denmark		7.000	12/04	102.9500	+0.680	6.60	6.49	6.02
France	BTAN	8.000	05/98	108.5200	+0.395	5.42	5.42	5.10
	OAT	5.500	04/04	94.9900	+0.460	6.18	6.09	5.68
Germany		6.000	09/03	99.3500	+0.300	6.09	6.01	5.73
Italy		*8.500*	*01/04*	*96.4060*	*−0.720*	*9.06†*	*8.64*	*8.41*
Japan	No 119	4.800	06/99	106.4400	−0.590	3.37	3.00	2.91
	No 157	4.500	06/03	106.2700	−0.080	3.60	3.68	3.46
Netherlands		5.750	01/04	97.5600	+0.690	6.08	6.02	5.67
Spain		10.500	10/03	111.7500	+0.500	8.64	8.47	7.82
UK Gilts		6.000	08/99	98-18	+15/32	6.32	6.08	5.70
		6.750	11/04	98-26	+21/32	6.93	6.80	6.21
		9.000	10/08	116-26	+31/32	7.13	7.04	6.55
US Treasury *		5.875	02/04	97-25	+1/32	6.18	6.05	5.61
		6.250	08/23	94-08	-	6.70	6.61	6.20
ECU (French Govt)		6.000	04/04	95.9000	+0.900	6.56	6.39	5.96

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates

Prime rate	6		
Broker loan rate	5		
Fed.funds	3½		
Fed.funds at intervention	·		

Treasury Bills and Bond Yields

One month	3.14	Two year	4.66
Two month	3.49	Three year	5.01
Three month	3.44	Five year	5.59
Six month	3.69	10-year	6.18
One year	3.98	30-year	6.68

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	126.40	126.96	+0.92	126.96	126.30	181,465	156,974
Jun	126.02	125.52	+0.90	126.58	125.96	13,663	61,292
Sep	125.26	125.76	+0.90	125.50	125.18	407	10,348

■ *LONG TERM FRENCH BOND OPTIONS (MATIF)*

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
127	0.63	1.06	1.12	0.65	1.08	-
128	0.28	0.65	0.78	-	1.56	2.38
129	0.08	0.39	-	-	2.15	2.99
130	-	*0.20*	-	-	2.84	3.72
131	-	0.10	0.22	-	-	-

Est. vol. total, Calls 27,640 Puts 76,722 . Previous day's open int., Calls 247,590 Puts 196,541.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.68	96.93	+0.64	97.20	96.63	163248	179700
Jun	96.50	96.65	+0.65	96.90	96.35	46145	91312
Sep	96.40	96.52	+0.64	96.75	96.34	229	3165

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9650	1.21	1.42	1.06	1.40
9700	0.97	1.18	1.32	1.66
9750	0.76	0.98	1.61	1.97

Est. vol. total, Calls 15644 Puts 20838. Previous day's open int., Calls 178854 Puts 157016

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.10	101.09	+0.44	101.17	100.95	666	8306
Jun	101.13	101.17	+0.42	101.26	101.13	139	593

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113.35	112.86	+0.09	113.60	112.00	49497	69759
Jun	113.65	112.89	-0.01	113.65	112.21	15660	61947
Sep		112.79	-0.01			0	1

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11250	2.56	2.64	2.17	2.35
11300	2.29	2.39	2.40	2.60
11350	2.04	2.16	2.65	2.87

Est. vol. total, Calls 478 Puts 1862. Previous day's open int., Calls 46612 Puts 41373

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	101.96	101.79	+0.05	102.20	101.50	64,522	123,623
Jun	101.95	101.60	+0.30	101.95	101.30	4,919	37,763

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113-10	113-16	+0-22	113-23	113-02	70136	89577
Jun	112-16	112-22	+0-21	112-28	112-08	32560	104288
Sep		111-26	+0-21			0	0

■ *LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%*

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
112	2-19	2-45	1-39	2-57
113	1-50	2-16	2-06	3-28
114	1-22	1-55	2-42	4-03

Est. vol. total, Calls 3089 Puts 2661. Previous day's open int., Calls 44740 Puts 37766

Ecu

■ *ECU BOND FUTURES (MATIF)*

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	117.86	118.16	+0.76	118.16	117.68	4,128	14,762
Jun	-	92.36	+0.42	-	-	-	211

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	111-21	111-31	+0-11	112-01	111-21	351,565	269,171
Jun	110-22	110-30	+0-11	111-01	110-21	76,456	117,235
Sep	109-24	110-00	+0-05	110-03	109-24	559	34,120

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	112.68			112.92	112.50	550	0
Jun	111.37			111.70	111.25	2467	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Feb 28	Day's change %	Fri Feb 25	Accrued interest	xd adj. ytd
1 *Up to 5 years (25)*	*127.25*	*+0.23*	*126.96*	*1.59*	*2.07*
2 5-15 years (24)	155.18	+0.66	154.16	1.99	2.62
3 Over 15 years (8)	176.73	+1.07	174.86	0.46	3.53
4 Irredeemables (6)	209.52	+1.27	206.90	2.49	1.12
5 All stocks (61)	150.65	+0.61	149.74	1.65	2.56
Index-linked					
6 Up to 5 years (2)	187.95	+0.10	187.76	0.65	1.41
7 Over 5 years (11)	182.86	+0.45	182.04	0.79	0.79
8 All stocks (13)	182.49	+0.41	181.73	0.77	0.85
Debentures and Loans					
9 Debs & Loans (73)	148.68	+1.52	147.16	1.94	2.37

	Low coupon yield Feb 28	Low Feb 25	Low Yr. ago	Medium coupon yield Feb 28	Medium Feb 25	Medium Yr. ago	High coupon yield Feb 28	High Feb 25	High Yr. ago
5 yrs	*6.33*	*6.43*	*6.63*	*6.54*	*6.64*	*6.83*	*6.65*	*6.75*	*6.99*
15 yrs	7.01	7.10	7.72	7.12	7.23	8.21	7.34	7.44	8.43
20 yrs.	7.12	7.21	8.01	7.12	7.23	8.39	7.35	7.45	8.52
Irred.†	7.29	7.30	8.46						

	Inflation 5% Feb 28	Feb 25	Yr. ago	Inflation 10% Feb 28	Feb 25	Yr. ago
Up to 5 yrs	2.53	2.56	2.00	1.63	1.65	1.15
Over 5 yrs	3.26	3.29	3.46	3.08	3.11	3.28

	5 year yield Feb 28	Feb 25	Yr. ago	15 year yield Feb 28	Feb 25	Yr. ago	25 year yield Feb 28	Feb 25	Yr. ago
Debs & Loans	8.04	8.23	8.53	8.17	8.33	9.31	8.23	8.39	9.54

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 28	Feb 25	Feb 24	Feb 23	Feb 22	Yr ago	High*	Low*
Govt. Secs. (UK)	101.91	101.25	100.94	102.54	102.53	97.06	107.60	93.28
Fixed Interest	122.97	123.76	124.29	125.28	125.52	112.19	133.87	106.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21
Gilt Edged bargains	162.0	127.7	103.8	118.8	118.1
5-day average	126.1	112.8	109.3	109.2	105.4

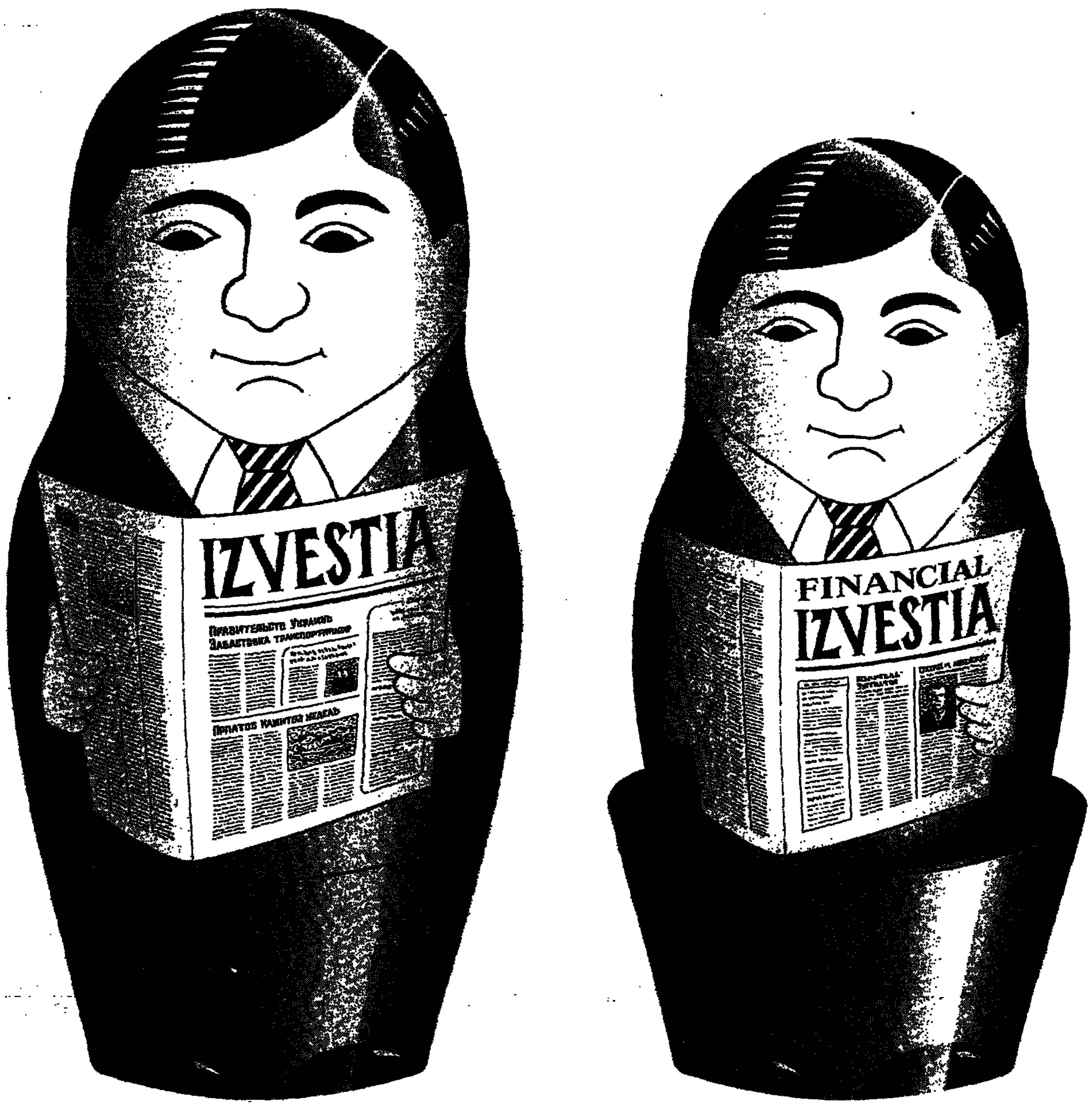
FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on February 28

[illegible]

UK GILTS PRICES

[illegible]



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Flotation could put minimum £450m price tag on stores group

House of Fraser at £34.5m

By Neil Buckley

House of Fraser, the 56-store department store chain which is preparing for flotation, lifted pre-tax profits by 31 per cent from £23.9m to £34.5m in the year to January 29, the pathfinder prospectus revealed yesterday.

The result was after exceptional costs of £3.7m on property disposals and interest charges of £6.8m. Total sales increased from £694m to £722m, and like-for-like sales were up 8.6 per cent.

Earnings per share were 10.1p (4.2p). Before exceptionals they were 11.1p, leading analysts to expect that the company could be valued at a minimum £450m. The offer price will be announced on March 17.

Mr Brian McGowan, the former chief executive of Williams Holdings who was tempted from retirement last year to become House of Fraser's chairman, said the improvement had convinced him of the chain's potential.

"Most of my critical preconceptions proved to be wrong and ill-judged," he said.

He said the group, which trades under 17 different names including Dickins & Jones, Army & Navy, Rackhams, and Binns, planned a £50m refurbishment programme. It was revamping its product range, grouping its stores into three categories depending on size.

It also planned to match the merchandise in each store more closely with local customer profiles.

The Egyptian Fayed brothers, who bought the group for almost £600m in 1985, are selling the entire chain with the exception of its former flagship, Harrods.

Of the 229.6m shares, a quarter are being offered to the public, subject to clawback by institutions.

Analysts believe House of Fraser is looking at an offer price of between 180p and 220p per share, valuing the company at between £410m and £500m, depending on market movements, and the effectiveness of the group's marketing campaign.

On the stores sector historic multiple of about 19, the price would be 211p, valuing the company at £484m, but many analysts expect the price to be slightly lower, at about 200p.

Mr McGowan said net debt at the end of January was £93m, putting gearing at 37.5 per cent.

Carlton warned on Meridian holding

By Raymond Snoddy

Mr Michael Green, chairman of Carlton Communications, has warned Lord Hollick of MAI, the broadcasting and financial services group, that he will sell his 20 per cent stake in Meridian Broadcasting unless minority shareholders get a better deal.

Mr Green, it is believed, met Lord Hollick, the MAI chief executive, last week to discuss the issue following MAI's acquisition of Anglia Television.

Carlton acquired its stake in Meridian, the ITV company for the south of England, through its acquisition of Central Independent Television.

Mr Green is believed to be concerned about the level of information received by shareholders such as Carlton and SelecTV, the independent programme maker which holds a 15 per cent stake in Meridian.

Both companies, it is understood, found out about MAI's participation in a consortium to bid for a possible Channel 5 licence when they were sent a press release.

Both Carlton and SelecTV also fear that Anglia, acquired by the main MAI company, could become a subsidiary of MAI Broadcasting, itself a subsidiary of MAI, thereby bypassing Meridian.

The minority shareholders are worried that any savings flowing from the acquisition will not go to Meridian. MAI said it would not comment on "anonymous gossip."

Mr Alan McKeown, chief executive of SelecTV, producers of programmes such as Birds of a Feather, believes the company has not received full credit for its role in helping Meridian win its franchise.

Meanwhile Carlton is likely to buy out the two 5 per cent minority shareholdings in Carlton Television The Telegraph group publishers of the Daily Telegraph and RCS, the Italian media group. Both would have to put up an additional £40m each to avoid dilution of their stake in the enlarged television business, something that is considered unlikely.

Airtours to sue former owners of Aspro Travel

By Michael Skapinker, Leisure Industries Correspondent

Airtours, the holiday group, yesterday announced it is taking legal action against the former owners of Aspro Travel, which it bought last June for £20.1m.

Airtours alleges it was the victim of fraudulent representation at the time it acquired Cardiff-based Aspro and Inter European Airways, its wholly-owned subsidiary.

Airtours said initial investigations carried out by independent accountants estimate the value of its claim to be £9.8m. The action is against Mr George Asprou, Mr Christopher Asprou and Mr Dimitrios Asprou, former owners of 90 per cent of Aspro Travel.

Airtours said it is also taking action against all Aspro's former shareholders over warranties and representations contained in the purchase agreement.

The Asprou family members involved said yesterday they would fight Airtours' action.

They said: "The proceedings started by Airtours, unexpectedly and without any warning, are going to be strenuously and vigorously resisted. Prior to the takeover, the company had a successful record of growth and employment."

At the time of the Aspro acquisition last year, Airtours said the purchase would strengthen its markets in Wales, Northern Ireland and the south-west of England. It said Aspro's programmes to the eastern Mediterranean would complement Airtours' holidays to the western Mediterranean and the Canary Islands.

Airtours said yesterday that Aspro and its airline had now been fully integrated into its operations. Aspro's bookings were well ahead of the previous year and there had been a significant reduction in its cost base.

Airtours said its accounts for the year to September 30 1993 reflected the shortfall in profits against the level previously expected from the Aspro acquisition. It added: "There will therefore be no adverse effect upon the earnings or assets of the current financial year."

Guardian Royal changes name

By Richard Lapper

Guardian Royal Exchange, the fifth largest of the UK composite insurers, is dropping Royal Exchange from its title and will be known in future simply as Guardian.

The group is also replacing its company logo with the image of an owl, to create a "new visual identity... part of the group's strategy to build a more powerful corporate brand worldwide," according to a statement yesterday.

The name will be introduced progressively in 1994 but the legal names of Guardian Royal Exchange and its trading subsidiaries in more than 50 countries are not affected.

"A new name and identifier have been adopted for use internationally. This is particularly important now as we establish new companies and reposition existing ones," explained Mr Sid Hopkins, chief executive.

SWP expansion

SWP Group, the USM-quoted maker of specialist components for the construction industry, more than doubled pre-tax profits in the half year to December 31, from £42,000 to £105,000.

Turnover improved from £3.71m to £4.43m generating operating profits of £167,000 (£126,000). Earnings worked through at 0.3p (0.1p).

Brent Walker loan moves proceed

By Maggie Urry and Peggy Hollinger

Lenders to William Hill, the betting shop business owned by Brent Walker, should be repaid today, the date their £325m loan is due.

The repayment follows the refinancing of the loan by banks to Brent Walker, with Standard Chartered and Lloyds Bank each lending significant amounts. Without the refinancing, Brent Walker would have had to sell or float Hill. Bankers now admit that if Hill had been sold Brent Walker would almost certainly have gone into receivership.

Changes to Brent Walker's £827m term loan agreement have been accepted by lenders. Last Friday holders of the group's variable rate notes agreed to changes in their conditions, including the payment of interest in preference shares for a longer period.

Of the £83m of notes outstanding, votes were received from £74m, with 99.998 per cent voting in favour. The notes were created at the time of Brent Walker's refinancing in March 1992, when they were exchanged for £101.9m of convertible bonds issued in autumn 1990.

Many of the bonds were held by Brent Walker banks, but some had originally been bought by investors found by Mr George Walker, who was chairman and chief executive of Brent Walker at the time the bonds were issued. There were no positive abstentions from note holders, as there have been previously, but it is understood that Lonrho and Tunis International Bank were among those not voting.

Bankers said that last week there were fears that the William Hill lenders might have to be asked for a few days grace before the loan was repaid, but hitches had been sorted out in time.

Invesco increases assets in UK

By Norma Cohen, Investments Correspondent

Invesco has purchased the UK index-matching fund management business of the US based Bankers Trust which manages £1.2bn in assets.

The move will increase Invesco's assets under management in the UK.

The company has been losing institutional pension fund clients in recent years reflecting mediocre performance and adverse publicity about its role in handling pension scheme assets for the late Mr Robert Maxwell.

Invesco, which has made numerous senior management changes over the past year, has said it wants to concentrate on building up its fund management capacity in Europe.

Mr Norman Riddell, chief executive of Invesco's European operations, said "This acquisition gives us access to market a product on the Continent." While he does not see significant interest in passive management in the UK, Continental pension funds are much more likely to be interested because it is a lower cost, low-risk way of gaining access to the UK stock market.

Invesco is paying up to £600,000, with up to £300,000 in further payments depending on assets under management.

A number of clients are US pension funds who must agree to their fund manager having a change of ownership.

BT has specialised in so-called passive management techniques in which funds are invested to mimic the performance of an index.

Cantab loss doubles to £2.9m

By Tim Burt

Cantab Pharmaceuticals, the bio-technology company quoted both in London and on Nasdaq in the US, blamed increased research spending for a doubling of losses.

The Cambridge-based group said pre-tax losses rose to £2.88m (£1.4m) in the 12 months to December 31.

Analysts had been expecting losses of up to £3.6m as Cantab broadened its product portfolio, and Mr Nicholas Hart, finance director, said the increased deficit was "well within budget".

Further spending on new drugs to treat ailments as wide-ranging as cervical cancer and genital warts will be financed from cash reserves of £20.6m (£6.85m), he added.

Those reserves were boosted last year by a £13.8m flotation in London and a private placing in the US, which together raised £16.9m after repayment of finance lease obligations.

Although Cantab hopes to bring some of its new drugs to market on its own, it admitted that it would have to form collaborations with international pharmaceutical groups to proceed with most projects.

Of those drugs, only LM-CD45 – developed in collaboration with Baxter Healthcare, the US corporation – is close to marketable production.

Baxter has exclusive manufacturing and marketing rights for the drug, designed to reduce rejection in kidney transplant operations.

Mr Hart said licence fees and contract development revenue from Baxter formed the bulk of Cantab's turnover, which fell 40 per cent to £1.02m (£1.7m).

Mr Hart warned that losses would increase in 1994 as R&D spending rose further and it began construction of a pilot-scale manufacturing facility in Cambridge. Losses per share rose to 42p (26p).

Goldsborough issue result

By Maggie Urry

Applications for shares in Goldsborough Healthcare, the nursing home, hospitals and homecare group, through the public offer were allotted in full after the issue was marginally undersubscribed. Of the 12.8m shares available to the public there was demand for 12.6m shares. Of these 3.4m shares were applied for in the preferential offer.

Shareholders of Kunick, the leisure group which sold its 50 per cent stake in Goldsborough in the float, were able to apply for preferential shares.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Billam (J)	fin	3.1	May 9	3.1	5.3	5
Brake (TF&JH)	fin	6.5	Apr 27	6.5	8.75	8.75
Canadian Pizza	fin	3.6	-	-	-	-
Capita Group	fin	1.7	May 17	1.4☆	2.55	2.1
Computer People	fin	1.5	July 1	nil	1.5	0.85
Corporate Servs§	fin	0.25	May 27	nil	0.25	nil
Dixon Motors§	fin	1.5	May 9	-	2.25	-
EFM Income Trust	int	1‡	Apr 14	1.2	-	4.875
Fidelity Euro	fin	nil	-	0.3	0.3	0.6
Gart Scotland	int	2.4††	May 27	2.4	-	10
HSBC	fin	16.5	June 10	14.2	23.5	19
ICS	int	1.5	May 5	1.33	-	4.4
Klein Dev Fund	int	2.75	May 13	2.75	-	10.5
Lilleshall	fin	2.85	May 27	2.65	4.55	4.25
London Forfaiting	fin	6.1	Apr 19	5.5	9.3	8.4
Pegasus §	fin	3	July 8	2	5	9¶
Sema	fin	1.9	July 1	1.7	3.1	2.8
Woodchester Invs	fin	3.094	May 20	2.69	5.17	4.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆Adjusted for scrip issue. ¶For 17 months. ‡Irish currency. ‡Third interim, making 3p (3.6p) so far. ††Second interim, making 4.8p so far.

Capita advances 24% and sees further growth

By Andrew Bolger

Capita Group increased pre-tax profits by 24 per cent to £5.46m in the year to December 31.

Turnover increased by 52 per cent to £50.2m, of which £2.14m came from acquisitions.

Mr Rod Aldridge, chairman, said Capita had strengthened further its position as a leading provider of professional support services to the public and private sectors.

He said: "Our current order book in all three divisions is stronger than 12 months ago and we are continuing to bid for many business opportunities ... I am optimistic that Capita will make further progress."

Net cashflow from operating activities rose from £7.9m to £8.5m, of which £4.4m was invested in acquisitions and £3.5m in capital expenditure. The group's net cash balance dipped from £9.6m to £8.4m.

Capita said its restructuring into three divisions had been successfully completed. Outsourcing increased operating profits by 32 per cent to £2.55m, the advisory division was up 21 per cent at £1.28m and property services rose by 15 per cent to £1.64m.

The outsourcing division's forward projected revenues up to the end of 1998 stood at £118m, a 55 per cent increase over the corresponding period.

Mr Aldridge said the group had started 14 new local government outsourcing contracts during the year. "We have won two significant contracts at the London boroughs of Westminster and Bexley worth £14.5m in aggregate, which start in April 1994. These contracts are to provide collection services for council tax and business rates. As a result, Capita is now responsible for the annual collection of £1.2bn of public money. We anticipate further contract wins by the half year."

The group said prospects were excellent for its advisory division, which had established a firm niche in well-paid work for central government.

Earnings per share increased by 23 per cent to 7.9p (6.4p). A final dividend of 1.7p gives a total of 2.55p (2.1p), a rise of 21 per cent.

● **COMMENT**

Capita has built an admired position in providing contracted services to local government by concentrating on high-margin activities such as revenue collection and computer services, rather than fiercely competitive cleaning and catering contracts. The group estimates more than 800 of its type of contract will come up over the next five years, so there remains plenty to go for. Market testing is proceeding more slowly in central government, so Capita's best chance there looks to be on the consultancy side. Forecast pre-tax profits of £6.7m put the shares, up 5p to 220p, on a prospective multiple of 24. They cannot be classed a bargain at thislevel, but the premium rating looks justified both by the group's track record and prospects.

Reorganisation costs leave Woodchester halved at I£17m

By Tim Coone in Dublin

Woodchester Investments, the Dublin-based leasing and banking group, has reported a halving of 1993 pre-tax profits from I£35.4m to I£17.1m (£16.4m), after an exceptional charge of I£15m to fund restructuring.

Excluding the exceptional charge pre-tax profits showed a 9 per cent drop.

The charge is "deemed fully adequate and of a once-off nature" and once complete, the restructuring plan "will lead to a significant improvement in the long-term profitability of the group".

Woodchester, in which Credit Lyonnais has a 47.97 per cent holding, has grown rapidly in Ireland in recent years, through eight acquisitions, and despite rationalisations the company says there remained "an unacceptably high cost base" and a number of "unprofitable product lines".

Its core car financing business grew by 16 per cent in the period. In the UK the group reported a doubling of its motor finance business to £173m, but decided to discontinue two non-core activities, a commercial mortgage company and a trade finance subsidiary.

Reorganisation is also taking place in CLLE, the leasing subsidiary of Credit Lyonnais, in which Woodchester has a 30 per cent stake. Middle-ticket and small-ticket leasing is to be split into two divisions, the middle ticket section being managed through Credit Lyonnais bank network, while the small-ticket leasing and business equipment and vehicle finance is to be managed separately. Woodchester is to take direct responsibility for the small-ticket leasing business in Denmark and Portugal.

Total assets improved over the year from I£1.4bn to I£1.5bn with a Tier one capital adequacy ratio of 20 per cent. The drop in interest rates made this surplus capital earnings dilutive, the company said, and the board regarded its prudent investment as a key priority.

Earnings per share were 8.25p (15.1p). A final dividend of 3.09p is proposed for a total of 5.17p (4.5p).

● **COMMENT**

Woodchester's rapid expansion and diversification into banking through its strategic alliance with Credit Lyonnais, has not gone as smoothly as expected. The company's strong balance sheet however, together with its decision to clean out unprofitable lines of business and tackle its cost base, would seem to justify the increase in dividend as a means of maintaining shareholder loyalty, albeit that Credit Lyonnais will be the main beneficiary. Pre-tax profits of I£32m in 1994 would seem to be attainable, giving earnings of 11.9p. A prospective p/e ratio of 10.5 is higher than Ireland's two main clearing banks, suggesting that any upturn is already priced in to the company's shares.

Success in UK helps Sema rise to £24.9m

By Alan Cane

Sema Group, the Anglo-French information systems company, yesterday announced a 28 per cent increase in pre-tax profit from £19.5m to £24.9m for the year ended December 31 1993.

Turover increased by 20 per cent to £502m (£417m), while earnings per share rose 26 per cent to 16.6p (13.2p). The dividend is raised 10 per cent to 3.1p. The share price moved up 9p to 373p.

The company has net cash of £18.2m, compared with £5.5m.

The results include the effect of last year's £20m acquisition of the Swedish company SKDforetagen.

Sema is a broad-based computer services company specialising in systems integration.

The company is active principally in France where revenues grew 11.4 per cent to £170.3 and in the UK where growth of 23.2 per cent to £212.1m was recorded. It was the company's most successful year in the UK since CAP and Sema Metra merged in 1988. Mr Pierre Bonelli, Sema chairman, said it was the result of strong growth in outsourcing - running customers' data processing on their behalf.

● **COMMENT**

Sema has yet to come close to fulfilling its 1989 strategic aim of of a 60:25:15 revenue split between systems integration, facilities management and products. Nevertheless, its strength in its key applications areas of energy, representing 57.6 per cent of sales, transport (43.1 per cent) and defence (28.4 per cent) more than make up for its problems with I-Linie, the industrial management package it is developing with IBM. It is however spending a disproportionate amount - perhaps as much as half - of its £14.6m research and development revenues on the package business. Given the group's sound fundamentals and forward order book, a successful packages business would ice an already rich cake. Analysts are marking in pretax profits of £33m for 1994 giving 20.2p of earnings. On a historic price earnings ratio of 22.5, the shares look very reasonable.

Shares fall 7p as weaker current trading conditions are reported

London Forfaiting advances 19%

By Andrew Jack

London Forfaiting Company, the specialist trade finance house, yesterday reported profits up 19 per cent to £21.5m in the year to December 31 1993.

The shares dropped 7p on the day to close at 226p following a warning of poorer trading conditions so far this year compared with the same period last year.

Mr Jack Wilson, chief executive, said trading for the first few weeks of 1994 had been "less favourable" than in 1993 but that it was too early to make "useful comments about the year as a whole." He refused to say how significant the difference was.

"We are very pleased with the results," said Mr Wilson. A final dividend of 6.1p (5.5p) is recommended, making a total for the year up 10.7 per cent to 9.3p (8.4p). Earnings per share advanced to 16.15p (13.75p).

Tax rose to £5.3m (£4.3m), representing 25 per cent of pre-tax profits (24 per cent).

The company said that Mr Ooi Boon Aun, managing director of LFC Far East, who is based in Hong Kong, had joined the main board. It said it had also established London Forfaiting International, a UK subsidiary, during the year to act as holding company for its overseas subsidiaries.

It also said that it had strengthened its trading team and administrative systems, and created a central co-ordination department to boost internal audit and compliance work. "We are in the process of going from being a large small company to a small large company," said Mr Wilson.

Bank loans more than trebled from £21.6m to £71.1m during the year, while bank interest payable jumped from £932,000 to £2.39m. Interest receivable and income from certificates of deposit dropped from £3.45m to £1.96m.

● **COMMENT**

Analysts ascribed yesterday's fall in the share price to the warning that its results for January and early February this year were lower than 1993. The company said this primarily reflected a timing difference with a bunching of completed deals which had not been repeated in 1994, as well as fluctuations in the Eurobond market. LFC's shares are at a discount, partly reflecting the general malaise of the financial services sector and also the lack of understanding of forfaiting. In addition, there is the intriguing low tax charge, and the company's policy of relatively little disclosure, such as its refusal to report turnover, profits and net assets segmentally. There is no indication that this is likely to change in the annual report which is due out later this month.

Braime slips to £0.54m

Higher interest charges and lower income from investments led to pre-tax profits at TF&JH Braime (Holdings), the finished metal products, forging, pressing and stamping group, slipping from £582,606 to £544,412 in the year to December 31.

Turnover, however, was up at £6.85m (£6.51m). Trading profits were £2,000 down at £482,877, while investment income declined to £111,640 (£125,314). Interest took £50,105 (£27,582).

Unchanged final dividends of 6.5p are proposed for both the ordinary and A ordinary shares for same-again 8.75p totals. Earnings per share emerged at 23.29p (26.69p).

Share issue for NM Smaller Australian

By Bethan Hutton

NM Smaller Australian Companies investment trust is planning a conversion share issue to increase its size.

The fund was launched last December, less than three months ago, raising £25.8m with its initial placing. By the end of January, the trust's assets had grown by about 21 per cent to approximately £29m, and it is now capitalised at just over £30m. Shares in the trust have traded at a premium for most of its life.

Full details of the C share issue are not yet available, but it is likely to take the form of a placing and open offer to existing share and warrant holders, rather than a public offer. The placing stage is expected to be completed by Easter, and the open offer to close by the end of April.

NM Funds Management is a subsidiary of the National Mutual Life Association of Australasia, Australia's second largest life office. NM says the timing of the C share issue is due to shareholder demand, and favourable economic conditions for investment in Australia.

COMPANY NOTICES

Exceptional boosts Pegasus to £6.93m

By Alan Cane

Pegasus Group, supplier of accounting software for small and medium sized companies, showed sharply improved profitability last year after a change of management, a substantial disposal and the launch of a new flagship accounting system.

The company, based in Kettering, Northamptonshire, reported 1993 pre-tax profits of £6.93m, including exceptional profits from the disposal of its business forms operations of £6.15m. Profits for the previous 17 months were £620,000, including exceptional credits of £337,000.

Earnings per share were 76.1p (7.7p) or excluding exceptionals 7.8p (2.1p). A final dividend of 3p is proposed for a total of 5p, against 9p for the previous 17 months.

Turnover was £7.5m (£10.3m) including £2.61m (£3.75m) from discontinued activities.

Mr Jonathan Hubbard-Ford, appointed chief executive in a boardroom coup in December 1992, said the company was set for recovery following a poor diversification and acquisition programme which had damaged both cash flow and product development.

The company's business forms operations had been sold in total to Deluxe Corporation for £8.75m in cash plus a further estimated £1.25m. As a result year-end cash balances stood at £8.28m. Net interest income contributed £229,000 (£297,000) to the pre-tax figure.

The company's share of the "modular" accounting systems market was up 5 percentage points to 32 per cent by value. Losses on software products were reduced to £319,000 (£1.04m), due to the launch of the latest version of Pegasus' principal accounting package, Senior.

The company's future, however, depends to a large extent on its new flagship product, Pegasus Opera.

It is thought to have taken 10 per cent of the modular market since its launch in September last year.

Computer People rises to £1.1m

Computer People, the London-based computer recruitment service and consultancy, last year saw a return to growth in revenues and pre-tax profits as the recession eased in the US and UK, writes Alan Cane.

Helped by strong control of overheads, pre-tax profits were greatly improved at £1.1m (£145,000) with earnings per share at 4.37p against losses of 0.97p.

Revenues were up 10 per cent to £68.75m (£62.74m)

A single, final dividend of 1.5p net is being paid.

Last year there was only an interim of 0.65p.

Net borrowings are now down at £4.1m and the gearing has been reduced from 92 per cent to 75 per cent.

Computer People operates placement and consultancy services in the UK and consultancy services in the US.

Turnover for the UK business grew 13 per cent to £44.4m, while in the US dollar revenues fell 12 per cent, but operating profits rose 12 per cent to $899,000 as a result of improvement in margins and control of overheads.

Mr Anthony Lambie, joint chief executive, said the group's strategy was to extend the range of services it provided to customers in the US and UK through organic growth and selective, strategic acquisitions.

There are two new non-executive directors; Mr Roger Graham, formerly chairman of the BIS Group before its acquisition by ACT and Mr Anthony Reeves who was chairman of Lifetime Corporation before it merged with the Olsten Corporation.

Mr Lambie said he believed the group was now better prepared to handle downturns in its chosen markets.

Tomorrows Leisure losses deepen to £0.2m

By Chris Tighe

Tomorrows Leisure, the USM-quoted hotels and leisure group based in north east England, reported deepening pre-tax losses for the six months to September 30 1993, down to £204,000 against £110,000 last time.

Operating profits were up at £476,000 (£284,000). However, increased interest charges of £680,000 (£394,000), as a result of the higher level of borrowing following the group's Pleasure Island investment, pushed the group into loss.

Turnover was ahead at £5.02m (£4.48m).

In November 1993, Tomorrow's Leisure sold Lavender Park Golf Centre in Berkshire and surplus farm buildings in County Durham.

It said yesterday that more disposals of non-core assets are under active negotiation. Such disposals, to reduce the company's overdraft, and the achievement of certain minimum levels of trading contribution to Group profits this year, are conditions of the current support from its banker, Barclays, to March 31.

Negotiations have begun for facilities beyond this date.

"We are taking positive action on all fronts," said Tomorrows Leisure chairman Mr John Sanderson. He said some progress had been made on reducing debt, which stood at around £15m on September 30 1993.

Mr Sanderson said it was encouraging that Redworth Hall, the company's County Durham hotel, had increased operating profits by 22 per cent and that the sale of Lavender Park was at a value well above that reflected in the March 31 1993 balance sheet.

There was a loss per share of 1.7p (loss 0.9p).

B&F shares suspended

Shares in Bennett & Fountain Group were suspended at 2¾p yesterday at the company's request.

The board of Bennett & Fountain, the wholesaler and retailer of electrical goods being acquired by Marlowe Holdings, has expressed concern that its shareholders may have insufficient information to assess the merits of Marlowe's offer. In view of this, Marlowe has agreed to extend the closing date of the offer until two weeks after the announcement of B&F's results.

NEWS DIGEST

Billam declines to £385,000

Pre-tax profits at J Billam, the Sheffield-based specialist engineer, fell 20 per cent from £479,000 to £385,000 in the 1993 year. The company blamed the recession in the aerospace industry.

Turnover advanced from £5.99m to £6.67m. Earnings per share were 16p (20.1p) and the proposed final dividend is maintained at 3.1p for an *increased total of 5.3p (5p) for* the year.

Action was being taken at the Aircraft and Sheet Metal Engineers offshoot in view of the downturn in aerospace.

Billam's other subsidiaries achieved progress during the year.

Hogg Robinson

Hogg Robinson, the business services concern, has acquired Skillbase, a specialist in corporate downsizing, flexible resourcing and management and personal skills training, for £5.5m in cash.

There will be an additional earn-out up to a maximum of £2m related specifically to profits from corporate downsizing contracts over the next three years.

For the year ended June 30 1993 Skillbase achieved pre-tax profits of £1.56m.

IDV

International Distillers & Vintners, the drinks sector of Grand Metropolitan, has established its own importing and distribution companies in Poland and the Czech Republic.

IDV Poland has been established in Warsaw to serve a vodka market almost as large as that of the US, with annual sales of an estimated 35m cases a year.

IDV Czech Republic has been established in Prague and will also serve neighbouring Slovakia.

Vistec

Vistec Group, the USM-quoted supplier of computer systems, has acquired Data Logic Communication Services, a computer network design, installation and maintenance company, for £2.5m cash.

DLCS incurred a pre-tax loss of £1.06m before exceptional costs of £970,000 on turnover of £6.8m in the year to end-December 1993.

However, a substantial restructuring in the latter part of the year brought about a return to profitability, and the directors of Vistec said they had satisfied themselves that the operation was now profitable.

Kenmare Resources

Kenmare Resources, the Dublin-based natural resources company, announced pre-tax profits of I£21,238 (£20,400), for the six months to October 31 against losses of I£84,027. Earnings per share were 0.03p; compared with losses of 0.12p.

The company has been concentrating on its Ancuabe graphite project in northern Mozambique and is already producing usable graphite to *industrial grade.*

Select Industries

Increased pre-tax losses of £1.03m were announced by Select Industries, the distributor of the AirBoss wheel system in Europe, for the half year to December 31. Losses last time were £547,000.

Turnover rose to £459,000 (£251,000). However there was a jump in costs and overheads to £1.54m (£868,000) including the costs associated with the group's admittance to the USM in September.

Losses per share were 0.45p (0.34p).

The group is ultimately owned by AirBoss of Australia.

Fairbriar

Fairbriar, the contract management and property development group, has acquired Ilford Park Developments from the receivers of Fairfield Park Development for £2 cash – its net asset value.

Ilford has not traded, and its sole asset is 18.4 acres of residential land at Ilford, Essex. It has indebtedness of £10.75m, which will be repaid from the *sales proceeds of the development*, without any further recourse to Fairbriar.

Arcon

After normal and one-off depreciation charges totalling I£3.03m (£2.91m), pre-tax losses at Arcon International Resources, the Dublin-based mining group, deepened from I£1.21m to I£3.24m in the year to August 31.

The outcome was struck on turnover up from I£860,000 to I£1.53m and after interest payable static at I£90,000. Losses per share emerged at 5.68p (2.34p).

DCS

DCS Group, computer software supplier formerly Nesco Investments, reported pre-tax profits down from £121,000 to £41,000 for the six months ended December 31, reflecting a big increase in administrative costs.

Gross profit showed a 16 per cent rise to £1.4m (£1.21m) despite a fall in turnover from £2.9m to £2.6m, resulting from a realignment in product mix, *with a greater proportion being* in high margin software.

Earnings per share were 0.61p (1.36p).

Xtra-Vision

Xtra-Vision, the USM-traded video rentals group, is in the process of drawing up plans for a financial restructuring.

The company's syndicate of bankers have indicated their continuing support.

European Smaller

European Smaller Companies, the investment trust, reported net asset value of 135.8p at December 31, compared with 116.7p at June 30 and 104.5p a year earlier.

Net revenue for the six months to end-December showed losses of £31,000, against profits of £242,000. Earnings per share were nil, compared with 0.68p.

Quayle Munro

Quayle Munro Holdings, the Edinburgh-based financial services group which came to the main market last June, reported profits of £323,000 pre-tax *for the six months to* December 31.

The outcome, achieved on income of £846,000, was struck after an exceptional provision of £45,000 relating to service charges on a London office occupied by a subsidiary.

The group's net asset value expanded 24 per cent to £7.9m over the period. Mr Ian Jones, chief executive, said there was evidence of increasing economic activity.

An interim dividend of 3p is payable from earnings of 5.5p per share.

Tor Inv Trust

Net asset value of the split-capital Tor Investment Trust stood at £16.71p at January 31, representing a year-on-year advance of some 39 per cent and an improvement of almost 23 per cent on the figure at the trust's year-end in July.

Net revenue for the six *months to end-January rose to* £693,000 (£593,000), helped by receipt of scrip dividends, for earnings of 17.156p (14.666p) per income share.

A second interim of 10p per income share maintains the total to date at 20p; directors again expect to pay a total of 40p for the year, requiring a small transfer from revenue reserves.

Travis Perkins

Travis Perkins, the timber and building materials merchant, has exchanged contracts with Liverpool Victoria Friendly Society for the sale and leaseback of Brackmills, the main distribution depot for Travis's heating and plumbing activities in Northampton.

The total consideration is £12.3m cash, and the lease to be entered into will be for 20 years with a five-year review period.

Wm Ransom & Son

William Ransom & Son, the pharmaceutical products maker, said the dispute concerning costs relating to the proposed acquisition of a property in Biggleswade, Bedfordshire, had been settled and it had received £325,000 including all costs and expenses.

Trading in the fourth quarter continued to be patchy, the company said, and it expected pre-tax profits for the year to be between £900,000 and £1m, including the above settlement.

The shares fell 1p to 63p.

Bolton Group

Bolton Group, property investor, lifted pre-tax profits from £21,000 to £183,000 in the six months ended October 31 1993, on turnover down from £1.21m to £720,000.

The results reflect the effect of disposals of investment properties and the sale of a subsidiary. Funds from these disposals have been used to reduce borrowings and financing costs. The latter are down from £629,000 to £446,000.

The deficit on the profit and loss account has been reduced from £1.23m to £74,000 and the directors hope to eliminate it in the near future. Earnings per share rose from 0.2p to 1.8p.There is again no dividend.

Prudential Corp

Prudential Corporation's US subsidiary Jackson National Life Insurance saw a decrease *in pre-tax earnings for 1993* from $339.1m (£232m) to $239.5m.

Premiums were down at $2.06bn ($2.97bn). Assets increased to $16.9bn ($14.8bn).

Countrywide Bank

Countrywide Banking Corporation, the New Zealand subsidiary of Bank of Scotland, achieved pre-tax profits of NZ$41.5m (£16m) for the year to December 31.

The post-tax figures showed a profit of NZ$27.5m, against a loss of NZ$50.7m, after extraordinary costs of the merger with United Bank.

Over the year assets grew by 21 per cent to NZ$4.25bn (NZ$3.41bn).

Gartmore Scotland

Net asset value per capital share at The Gartmore Scotland Investment Trust rose 26 per cent from 249p to 314.5p over the six months to January 1.

Gross revenue advanced to £976,000 (£898,000) in the first half, on the back of £119,000 (nil) coming from enhanced scrip dividends. Interest on *deposits fell to £28,000 (£68,000).* Administrative expenses rose to £191,000 (£145,000) and net revenue to £644,000 (£562,000).

Earnings were 4.76p (4.15p) per share and the second interim dividend is held at 2.4p for a total at the halfway stage of 4.8p.

£30.8m housing buy for Taylor Woodrow

By Andrew Taylor, Construction Correspondent

Taylor Woodrow construction and property group is paying £30.8m to acquire the housebuilding assets of debt-laden Heron International, the property and trading company formerly controlled by Mr Gerald Ronson.

The deal is the latest in a series of land purchases by UK housebuilders, anxious to increase output to take advantage of the recovery in the UK housing market.

Heron last year concluded a £1.4bn refinancing, swapping some of its debt for equity.

It has been raising cash from disposals to meet its revised repayment obligations.

Heron Corporation, the group's trading arm, has already made early repayment of £150m which had been due at the end of next month.

The parent company, however, needs to repay a further £32.9m, also by the end of next month.

The former Heron land and homes is in southern and south west England and Cardiff.

The Heron housebuilding assets include about 1,100 housing sites and almost 200 homes in various stages of completion.

The purchase will allow Taylor Woodrow to increase its UK housebuilding.

Taylor Woodrow is a southern-based builder which has recently expanded its operations to Yorkshire and Humberside. It has also been restructuring its Scottish operations. The company is thought to have sold approaching 1,000 homes last year and is looking to increase output further in the medium term.

Its recent land purchases are thought to have been averaging between £15,000 and £16,000 per plot.

The land acquired from Heron is thought to have cost slightly more per plot, so the purchase should also help Taylor Woodrow meet its aim of building larger, more expensive, higher margin homes. The average price of a Heron home is about £85,000 compared with about £77,000 for a Taylor Woodrow home.

Mr Gerald Ronson remained as chief executive of Heron following the refinancing but was replaced as chairman by Lord Boardman, former chairman of NatWest Bank.

Losses deepen at Midland & Scottish

By David Blackwell

Midland & Scottish Resources, which is in the process of running down production at the Emerald oilfield east of Shetland, yesterday reported a pre-tax loss of £18.4m for the six months to end-June last year.

The group blamed the loss on an exceptional charge of £17m, representing the write-off of capital expenditure incurred in drilling additional wells in the field, which proved unsuccessful. Turnover from continuing operations was £35.4m.

In first-half 1992 the group lost £1.9m on turnover of £1.9m. For the 1992-93 year the group was £113.6m in the red after writing off the entire value of the Emerald development.

In January Midland said its two subsidiaries that ran the oilfield had sent a proposal to their creditors for a voluntary arrangement under the Insolvency Act 1986.

Trafalgar House, owner of the Emerald Producer rig, and MSR, which owns the floating storage unit, have halved their charter rates until creditors have been paid 50p in the pound.

The field's life now hangs on when the operating equipment can be redeployed.

Midland's future depends on Spirit of Columbus, a floating production platform being built in Italy. The group said delivery was planned for the coming summer, and described prospects for its deployment as "good".

Administration expenses, including charges associated with the Italian project, were up from £2.1m to £4.8m. Net interest payable was £3.5m, compared with a previous £300,000.

Losses per share were 9.12p, against with 0.93p last time.

Corporate Services in profit

Following its midway turnround to profits, Corporate Services Group, the USM-quoted recruitment agencies and services concern, finished 1993 with pre-tax profits of £877,000, compared with losses of £1.55m.

Earnings per share were 2.73p, against losses of 5.04p, while the company returns to the dividend list with a proposed distribution of 0.25p.

Mr Jeffrey Fowler, chairman, who reported turnover up from £31.3m to £42.1m over the 12 months, said he looked forward to continued growth in the current year.

He stated that steps had been taken to rationalise the cost structure of acquisitions made during the year.

Upton & Southern cuts losses to £321,000 after reorganisation

Following a period of reorganisation, Upton & Southern Holdings, the retailer which is buying the Reject Shop chain, reported reduced losses for the 52 weeks to January 29.

The pre-tax deficit for the period amounted to £321,000, against £536,000 for the previous 53 weeks. Turnover fell from £10.7m to £8.67m, of which £685,000 (£2.79m) came from discontinued operations. Losses per share were reduced from 7.03p to 0.29p.

In the latter 24 weeks of the period the company swung back into the black with a profit before tax of £176,000. However, this included a £92,000 profit from the sale of the Huddersfield investment property and the company's participation in a development in Kettering, the directors said.

Upton has changed its year end to July 31, a move made in contemplation of the proposed acquisition for £2.5m of The Reject Shop.

Agreement had been reached on the purchase which, for management accounting purposes, would be operated as a separate cost centre from the group's retail business, said Mr James Hodkinson, Upton's chairman.

The benefits from the acquisition would begin to be seen in the new accounting year commencing August 1, he added.

Acquisitions boost Lilleshall

By Tim Burt

Contributions from new subsidiaries and reduced borrowings helped Lilleshall, the industrial distribution and building products group, increase profits by 25 per cent last year.

Pre-tax profits rose to £3.9m (£3.12m) in the 12 months to December 31, thanks mainly to a combined gain of £771,000 from St Helens Glass and Jay Fasteners, which it acquired during the year.

The acquisitions – together with a full year's contribution from Barlow Fasteners, acquired in December 1992 – boosted operating profits by 48.2 per cent to £4.27m (£2.88m).

Funds raised, meanwhile, by the group's £9.67m rights issue to acquire St Helens last September, were also used to cut borrowings by £5.04m, leaving year-end gearing at 3.2 per cent.

The Newbury-based group said yesterday it had taken advantage of low gearing and cash reserves of £3.55m (£1.74m) to acquire Trutite Fasteners, the UK subsidiary of Koninklijke KNP BT, the Dutch paper group.

Lilleshall paid £582,151 cash and repaid £1.25m of inter-company debt with a further £300,000 payable at the end of 1994. Mr John Leek, chairman, said the acquisition would lead to a significant expansion of Lilleshall's industrial consumables division.

The industrial consumables division, dominated by fastener manufacturing, was last year the only sector to report increased profits.

A rationalisation programme and significant income from Barlow Fasteners helped the division make an £806,000 profit, compared with a £983,000 loss last time.

Although it was the smallest contributor to group operating profits, Mr Leek said its results were encouraging compared with the "very disappointing" performance of building products, the company's largest division.

Profits from building products – including St Helens Glass – fell to £2.24m (£2.31m). Pressure on margins also hit the plastics and engineering division, which saw profits decline to £1.57m (£1.68).

All the divisions, however, increased sales and group turnover rose 16 per cent to £60.5m.

Earnings per share rose to 10p (9.2p), and the final dividend is lifted from 2.65p to 2.85p, making 4.55p.

Canadian Pizza just ahead of forecast with £3.2m

By Simon Davies

Canadian Pizza, the recently-floated pizza and pizza crust maker, announced pre-tax profits of £3.2m for 1993, marginally ahead of its prospectus forecast.

Sales were constrained during the second half as the Salford manufacturing plant reached full capacity, but a £1.2m upgrade has now been completed, adding 20 per cent capacity.

Turnover increased by 17.6 per cent to £17.9m during 1993, and operating profit margins were maintained, in spite of continued pricing pressure in its main business, the sale of pizza crusts to retailers.

Retail sales grew by 20 per cent, accounting for 54 per cent of turnover and 38 per cent of profits. The other significant area of growth was export sales, which grew by 8 per cent to £4.7m, primarily on sales to continental Europe.

The company is looking at sites for a manufacturing operation in continental Europe. This is likely to be built in France, involving a maximum investment of £10m. Construction should start in 1995. It is also looking to expand sales to the Pacific Rim.

The company raised £15m from its November flotation in November, which paid off senior debt and preference shares, leaving the company ungeared. It said it would not call on shareholders to fund any expansion plans.

Earnings per share amounted to 12.9p, and a final dividend of 3.6p is proposed, in line with its prospectus forecast.

High-Point falls to £93,000

Pre-tax profits of High-Point, the specialist consultancy and project promotion company, fell from £166,000 to £93,000 in the six months to November 30.

The outcome was achieved on turnover down from £26.1m to £22.6m, however, last year's figure included almost £5m from discontinued operations.

The interest charge was almost halved, from £1.03m to £589,000, principally, the directors said, because of the lower level of borrowings. Earnings per share emerged at 0.8p (3.1p).

UK operations were still suffering the effects of what is, hopefully, the tail end of the recession, the company said, while the US had a disappointing half year, mainly due to lack of activity in certain of its east coast operations.

Asia and the Pacific Rim was, however, achieving expectations regarding both growth and profitability, it added.

Healthcare Holdings talks off

Healthcare Holdings, an owner and operator of hospitals, has invited its bankers to appoint a receiver after talks with a third party failed to produce an offer for it.

The company had said on January 28 that it had entered into non-binding heads of agreement with a third party on a recommended offer. It said yesterday that no final agreement had been reached.

The directors of Healthcare said that after lengthy discussions with all parties the board had concluded that there was no longer any reasonable prospect of completing a deal which would safeguard the interests of creditors and preserve value for shareholders.

Shares in Healthcare were suspended in January at the company's request, and publication of the results for the 18 months to June 30 1993 was delayed pending the outcome of restructuring talks.

Mr Paul Jarrett and Mr James Hughes have resigned as directors, but will provide assistance to the receiver.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	UNITED STATES					JAPAN				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.4	100.0	100.0	2.6	100.0	97.3
1986	105.5	100.9	6.9	98.0	107.1	106.5	99.7	2.8	94.3	106.1
1987	108.4	106.0	6.1	105.5	108.2	113.8	103.1	2.8	108.3	115.2
1988	112.6	110.7	5.4	106.1	112.2	122.6	113.1	2.5	135.9	122.2
1989	115.6	112.4	5.2	99.3	110.7	132.5	119.7	2.2	147.0	125.2
1990	118.5	112.4	5.4	84.6	108.5	141.6	124.5	2.1	149.8	122.8
1991	114.2	110.3	6.6	62.2	111.8	144.6	126.8	2.1	144.2	120.6
1992	117.8	112.9	7.3	60.3	117.0	139.9	119.0	2.2	124.2	120.1
1993		117.6	6.7	65.3	123.0		113.6	2.5	108.0	
1st qtr.1993	3.7	4.4	6.9	62.2	117.7	-5.9	-5.1	2.3	115.5	123.3
2nd qtr.1993	5.3	3.6	6.9	63.7	117.3	-6.0	-4.3	2.4	106.2	124.9
3rd qtr.1993	5.9	4.2	6.7	66.0	119.7	-5.1	-3.8	2.5	101.3	126.7
4th qtr.1993		4.2	6.4	69.4	123.0		-4.8	2.8	101.0	
February 1993	3.2	4.5	6.9	63.5	117.7	-5.9	-6.6	2.3	113.0	121.7
March	3.0	4.2	6.9	62.8	117.7	-8.2	-2.0	2.3	123.6	123.3
April	4.7	3.9	6.9	62.8	117.0	-5.3	-4.1	2.3	109.6	124.8
May	5.2	3.0	6.9	65.1	117.1	-4.8	-4.2	2.5	102.6	125.0
June	6.0	4.0	6.8	63.1	117.3	-8.0	-4.6	2.5	106.4	124.9
July	6.1	3.8	6.7	65.6	118.1	-5.8	-4.5	2.5	100.8	125.2
August	6.0	4.3	6.7	66.7	118.7	-4.1	-2.6	2.5	103.3	125.6
September	5.6	4.4	6.6	65.5	119.7	-5.5	-4.4	2.6	99.9	126.7
October	5.6	4.1	6.6	68.5	120.6	-5.2	-6.6	2.7	98.3	127.2
November	5.6	4.2	6.4	68.9	122.0	-7.3	-3.2	2.8	104.2	127.0
December		4.5	6.3	70.7	123.0		-4.5	2.9	102.4	
January 1994		4.8	6.6				-3.1			

	GERMANY					FRANCE				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.1	100.0	100.0	10.3	100.0	102.0
1986	103.4	102.2	6.4	136.4	105.0	102.4	101.1	10.4	107.2	109.2
1987	107.4	102.6	6.2	149.4	106.1	104.5	103.1	10.5	117.7	108.6
1988	110.5	106.3	6.2	164.8	112.2	107.9	107.3	10.0	134.9	113.7
1989	114.1	111.4	5.6	218.7	115.1	109.5	111.3	9.4	161.1	113.5
1990	123.5	117.2	4.8	261.1	115.7	110.1	112.9	8.9	163.0	108.3
1991	130.5	120.7	4.2	270.7	112.9	109.7	113.2	9.5	127.7	109.6
1992	128.1	119.1	4.6	260.2	106.7	108.9	113.2	10.4	111.4	107.9
1993	123.0	110.9	5.8	197.8	113.5	109.5	109.7	11.6	89.8	110.9
1st qtr.1993	-4.7	-9.8	5.3	213.4	106.8	0.1	-3.7	11.0	96.6	106.1
2nd qtr.1993	-3.7	-8.2	5.6	207.6	109.0	1.1	-4.2	11.5	91.6	107.3
3rd qtr.1993	-2.1	-6.3	5.9	193.6	112.0	0.9	-2.9	11.7	85.0	108.3
4th qtr.1993	-5.5	-3.1	6.3	175.5	113.5	0.0	-1.6	12.0	85.4	110.9
February 1993	-4.6	-11.8	5.3	213.4	106.4	-3.9	-2.6	11.0	96.6	106.9
March	-1.8	-8.5	5.5	211.0	106.8	4.3	-3.0	11.2	96.0	106.1
April	-2.2	-9.0	5.5	210.9	107.4	1.1	-5.1	11.4	95.0	106.8
May	-5.6	-8.2	5.6	207.6	107.9	-3.1	-3.6	11.5	89.1	107.6
June	-3.4	-7.4	5.7	205.2	109.0	5.3	-3.7	11.6	91.0	107.3
July	-3.7	-7.7	5.8	202.7	110.0	1.6	-2.6	11.7	93.9	106.9
August	-0.7	-5.5	5.9	194.5	111.3	-0.9	-3.0	11.7	80.4	107.4
September	-1.8	-5.7	6.1	183.7	112.0	2.1	-3.2	11.8	80.8	108.3
October	-3.7	-4.0	6.2	174.7	112.7	-1.8	-4.5	12.0	83.7	109.0
November	-5.0	-3.6	6.3	174.7	113.1	2.2	-0.3	12.0	85.2	110.2
December	-7.7	-1.2	6.3	178.0	113.5	-0.2	0.1	12.0	87.3	110.9
January 1994				186.2						

	ITALY				UNITED KINGDOM					
	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	
1985	100.0	100.0	9.6	103.8	100.0	100.0	11.2	100.0	102.4	1985
1986	106.8	104.1	10.4	110.7	105.3	102.4	11.2	116.1	105.9	1986
1987	112.1	106.8	10.9	112.7	110.7	106.5	10.3	141.2	110.5	1987
1988	108.0	114.2	10.9	117.7	117.8	111.6	8.6	144.9	108.7	1988
1989	116.9	118.7	10.9	115.7	120.1	114.0	7.2	124.7	106.4	1989
1990	114.3	118.0	10.3	111.7	121.1	113.7	6.8	98.1	104.2	1990
1991	110.9	115.4	9.8	114.6	119.6	109.2	8.7	68.9	108.1	1991
1992	116.8	113.6	9.8	111.2	120.5	108.7	9.9	70.1	113.6	1992
1993					124.7	111.6	10.3	77.3	121.4	1993
1st qtr.1993	2.2	-4.3	9.0	113.4	3.2	1.8	10.5	73.9	116.6	1st qtr.1993
2nd qtr.1993		-4.0	10.6	114.7	3.0	2.7	10.3	74.1	117.1	2nd qtr.1993
3rd qtr.1993		-1.2	10.3	116.6	3.8	2.7	10.4	77.1	120.4	3rd qtr.1993
4th qtr.1993					3.7	3.5	10.0	84.7	121.4	4th qtr.1993
February 1993	-4.5	-4.3	n.a.	112.9	2.9	1.9	10.5	73.4	116.1	1993 February
March	0.3	-4.7	n.a.	113.4	4.0	1.6	10.4	75.0	116.6	March
April	2.1	-3.6	n.a.	113.7	2.7	1.0	10.3	74.9	116.7	April
May	-9.9	-4.6	n.a.	114.1	2.4	4.5	10.3	74.9	118.8	May
June		-3.9	n.a.	114.7	3.9	2.7	10.3	72.6	117.1	June
July		-3.3	n.a.	115.7	4.4	3.6	10.4	77.1	117.9	July
August		0.4	n.a.	117.0	3.6	2.6	10.4	77.4	119.2	August
September		-0.7	n.a.	118.6	3.4	2.1	10.4	76.9	120.4	September
October		-1.7	n.a.	119.5	3.2	2.5	10.2	81.2	120.7	October
November		-1.1	n.a.	121.3	3.8	3.9	10.0	85.2	120.7	November
December			n.a.		4.1	4.0	9.8	87.9	121.4	December
January 1994			n.a.		3.6			85.7		1994 January

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

COMMODITIES AND AGRICULTURE

China seen pushing copper market into supply deficit

By Kenneth Gooding, Mining Correspondent

China's huge appetite for copper would help the market in the western world move to a supply shortage this year after two years of surpluses, according to Mr Richard Osborne, chairman of Asarco, the US metals group.

He said yesterday that, although government measures to control inflation in China were forecast to cut the annual growth in its copper consumption from an average of 12.5 per cent since 1989 to 3 per cent this year, the republic's imports of the metal would grow by twice that rate, from 330,000 short tons (2,000lb each) last year to 350,000 tons.

Meanwhile, Asarco predicted exports to the west by Poland would rise from 281,000 tons to 295,000 tons but Russian exports were likely to slip from 325,000 to 281,000 tons. This would give a modest fall in net imports to the west, from 269,000 to 262,000 tons.

Asarco expected copper consumption outside the former eastern bloc countries to grow by nearly 3 per cent in 1994, from just over 10m tons last year to 10.38m tons, while production of refined copper was predicted to go up by only 0.6 per cent, from 9.94m to 10m tons.

This would leave a supply deficit of 61,000 tons compared with surpluses of 140,000 tons last year and 35,000 tons in 1992.

Mr Osborne, at a meeting with investment managers and analysts in London, predicted copper stocks in the west, at present equivalent to seven weeks consumption, would start coming down towards the five weeks at which the industry was comfortable.

Dealing with other some metals, Mr Osborne forecast that the lead market would also move to a supply deficit this year – one of 20,000 tons – after surpluses of 131,000 tons in 1993 and 168,000 tons in 1992.

On the other hand, the zinc market was forecast to show a surplus for the fifth consecutive year: one of 124,000 tons against 460,000 tons in 1993 and 450,000 tons in 1992.

Mr Osborne pointed out that demand for silver had outpaced supply for the past five years and suggested that the excess stocks built up in the 1980s would be eliminated in two years. Asarco would not re-open its three silver mines until there was a long-term silver price of $7 a troy ounce. "The odds on that happening are improving each month. Perhaps we will see that before the decade is out."

MARKET REPORT

Copper rallies after early fall

COPPER prices recovered early losses at the London Metal Exchange yesterday while the ALUMINIUM market remained nervous as the second round of inter-government talks on the industry got under way in Ottawa.

The three months copper price drifted down to $1,880 a tonne in the morning, but support at that level held once more and the price bounced to $1,892 before closing the after hours "kerb" session at $1,888, up $8 on the day. Dealers thought, however, that another test of underlying support was likely soon unless further headway was made on the upside.

Aluminium prices were depressed initially by an indication by Comalco of Australia of reluctance to cut output at its "efficient" Boyne Island and Tiwai point smelters. But later news that Alba of Bahrain was discussing possible output cuts with other Middle Eastern producers, a change of tack from its previous position, gave prices a lift. The three months price, which had dipped to $1,305 a tonne at one point, ended the kerb session at $1,309, down $7.50 from Friday.

The ZINC market was hit by Japan's trade and industry ministry showing domestic stocks sharply up in January and the European Zinc Institute releasing similar data for world smelters' stocks. Traders said this once again underlined the problem facing the world's zinc industry and the three months price fell to $969 a tonne, down $7. Dealers noted that zinc trading was subdued, with many participants attending an industry conference in the U.S.

At the London Commodity Exchange COFFEE and COCOA futures extended morning retreats, last week's failure to break through key resistance causing the two markets to slide towards technical support, traders said.

By the close May delivery coffee, further depressed by a weak opening in New York, had fallen $23 on the day to $1,212 a tonne.

Traders said there was little fresh news to help the market out of the current doldrums and some predicted a test of support at $1,200 or even the chart gap between $1,185 and $1,190 later this week.

Cocoa fared little better, the May position ending £16 down at £910 a tonne.

Dealers said, however, that there had been pockets of trade buying around and they expected the slide to run out of steam before May reached the psychologically-important £900-mark. "The market has stalled under a bit of switching pressure but I don't think we're into a reversal yet," one said.

Compiled from Reuter

Norway desperate to head off slide in oil output

Karen Fossli in Oslo

Norway's Labour government is proposing a comprehensive overhaul of energy policy in a desperate attempt to stimulate petroleum activities and stem a steep decline in crude oil production after 1996.

The country is western Europe's biggest oil producer with daily output of 2.4m barrels, and is the fourth biggest crude oil exporter in the world.

Oil companies argue the best way to boost activities is to ease the stringent tax regime. But in a White Paper presented last Friday to the Storting, Norway's parliament, the controversial tax issue went unmentioned.

In the White Paper, the government recommended that exploration acreage be expanded by 16 per cent and rules for exploring in the Barents Sea be reformed to make it more attractive. It also intends to speed up the process for approving oil discoveries. A number of proposals were made to streamline licensing rules and management of the state's oil and gas resources.

Environmentalists and fisherman fiercely oppose the move to expand exploration to the Skagerrak, about 50km off the southern coast of Norway, and to new areas of the Norwegian Sea, off the coast of mid-Norway. Under the proposals, in the Skagerrak, just four exploration wells will be allowed to be drilled; only one rig will be allowed to work in the area at a time; and, drilling during the summer – peak harvest season for prawns – has been ruled out.

In the Norwegian Sea, six wells will be allowed in the Nordland VI area during a limited period of the year with just one rig operating at a time. In the Barents Sea, where 52 wells have so far failed to yield any commercial discoveries, changes to licensing conditions have been proposed to cut the cost of exploring there.

Norway has little choice but to stimulate oil activity; not only will output decline dramatically in two years time, from a peak of 2.6m barrels a day, but the country is also faced with stiffer competition for oil company investment.

Last year Norway boosted recoverable petroleum reserves by 259m tonnes of oil equivalent to 5.89bn tonnes, but the increase was due to adjustments to reserves of producing fields and discoveries not yet developed, rather than to exploration success. Out of a total of 18 wildcat exploration wells drilled in 1993, just three small discoveries were made, yielding only 9m tonnes. . . an "unsatisfactory result", says the Norwegian Petroleum Directorate, the industry watchdog, and far less than in the previous two years.

Investment in the petroleum sector is forecast to fall dramatically in two years from about NKr60bn ($5.4bn) in 1993 unless new oil fields are discovered.

The size of new discoveries is expected to diminish to an average 20m tonnes of oil equivalent, compared with 90m tonnes for fields now producing 40m tonnes for those now being developed.

Blocks located within the new acreage are to be offered for licence application by the beginning of next year, with award by the start of 1996. This timetable, says the government, could enable development to commence by 2005 with first production in 2010.

Argentine farmers find stability hard to live with

Hyper-inflation had offered opportunities for easy profits that have now disappeared

FARMER'S VIEWPOINT

By David Richardson

Eduardo Zavalia, a big man in his mid fifties, looks every inch a farmer. Indeed he owns 1,200 hectares of land, which produces maize and barley as well as providing the grazing for a herd of dairy cows with an annual yield of about 2m litres and most of the feed for a herd of pigs.

But these days he spends much of his time 220km away from the farm in an ornate office overlooking a pedestrianised shopping street in Buenos Aires. For Mr Zavalia is the president of Sociedad Rural Argentina, the biggest of the country's four farmers' trade unions, and in these troubled times for his members this is a full time job.

One of his sons manages the farm and another, an economist, is his assistant in Buenos Aires.

Ironically the problems being experienced by Argentine farmers result directly from the success their government is having in tackling the country's previous economic crisis. Only a few years ago Argentina had hyper-inflation running at 500 to 600 per cent a year.

Several pampas farmers had told days before my meeting with Mr Zavalia that they had learned to live, and even to prosper, in that economic environment. All they had to do was to avoid selling any of the maize, soyabeans or beef cattle from their fertile farms until they needed money and could maximise the value on the day. By combining that with delaying paying their bills for a month or too they could make a lot of money. Some also managed to pay their bills in depreciating peso's while selling their produce for stable US dollars, some of which they promptly placed off-shore.

But such volatility is not conducive to confidence in the long term future of an industry and there was little investment in new technology during those years. In consequence the machinery on most farms is old and unreliable and even now, though the country's currency has been stable since it was pegged to the US dollar on April 1, 1991 there is insufficient capital available to replace worn out equipment.

In advance of the currency measures, President Menem's Peronist administration had increased wages and provided modest pensions for all, thereby increasing farm production costs. Meanwhile the value of farm commodities on world markets had fallen, reducing income from exports; a combination of factors that has left many farmers in real financial difficulties.

Mr Zavalia points out that agriculture accounts for between two thirds and three quarters of Argentina's export earnings and claims it should, therefore escape some of the strict monetary policies imposed on the rest of the economy. He does not accept that any economic policy should be imposed indiscriminately across all industries and says he has asked the government to give aid to farmers to enable them to bring their technology up to date; to provide advice to help them adjust to the new circumstances; and to bring down interest rates on their borrowings, at present between 18 and 24 per cent.

Predictably, Mr Felipe Sola, Argentina's secretary of agriculture does not agree. "Dr Zavalia is not an economist, he is a trade unionist," he says. And although the agriculture secretary accepts that some sectors of Argentina's agriculture are in trouble and that many thousands of small farmers will go out of business, he argues: "Now fixed exchange rates are a certainty" most of the solutions are in the viable farmers' own hands.

The inertia bred by 25 years of subsidised agriculture has led farmers to look to government to solve all their problems, he adds. What farmers need to do is to look to their own shortcomings in production, presentation and marketing. That way they can stop imports of commodities that are already produced somewhere across the vast tracts of Argentina and also make it easier and more profitable to export to other countries.

In any case, he explains, if the government aids one sector it will be forced to aid all, and that could wreck a policy that has led to growth in national output of almost 9 per cent in each of the past two years.

Behind Mr Zavalia's attempts to achieve special concessions for his members there is clear acceptance that the changes brought about by the Menem administration were vitally necessary. "What we have to do," he says, "is to learn to manage change."

I cannot not help thinking that the problems of Argentine farmers are the potential problems of British farmers, writ large. The UK may not be a third world country struggling to join the first world; it may not have had such a volatile recent history. But British agriculture will shortly have to suffer a shock similar to that in Argentina when the European Union's guaranteed price system all but disappears. It will be faced with even stiffer competition for domestic and export food markets and it too will need to cure its own shortcomings to survive.

As a British farmer I would be very wrong indeed to feel superior to my Argentine competitors. I am just more fortunate, for the time being.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1288.5-9.5	1311-2
Previous	1292-3	1314-5
High/low	1292.5/1292	1315.5/1304
AM Official	1290-2.5	1314.5-15
Kerb close		1309-10
Open int.	270,715	
Total daily turnover	34,297	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1142-5	1162-5
Previous	1150-5	1170-5
High/low		1182
AM Official	1140-5	1163-8
Kerb close		1165-7
Open int.	3,636	
Total daily turnover	606	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	471.5-2.5	485-6
Previous	474.5-5.5	488-9
High/low		492/484
AM Official	476-6.5	490-90.5
Kerb close		484-5
Open int.	34,694	
Total daily turnover	8,331	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5865-70	5915-20
Previous	5860-70	5920-5
High/low	5870	5935/5870
AM Official	5865-70	5920-25
Kerb close		5875-80
Open int.	51,931	
Total daily turnover	14,993	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5445-50	5480-5
Previous	5470-80	5490-5
High/low	5475	5525/5480
AM Official	5475-80	5505-10
Kerb close		5475-80
Open int.	20,133	
Total daily turnover	2,586	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	947-9	965-7
Previous	955.5-6.5	973-4
High/low		972/966
AM Official	950.5-1.5	968.5-9.0
Kerb close		968-9
Open int.	109,351	
Total daily turnover	12,223	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1880-1	1883.5-84
Previous	1864-5	1887-8
High/low	1860	1892/1878
AM Official	1863.5-64	1886.5-7.0
Kerb close		1888-89
Open int.	249,107	
Total daily turnover	39,506	

■ LME AM Official £/$ rate: 1.4870
LME Closing £/$ rate: 1.4870

Spot:1.4879 3 mths:1.4829 6 mths:1.4798 9 mths:1.4768

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	86.30	+0.85	86.85	85.95	9,950	5,099
Apr	86.45	+0.85	86.50	86.20	976	117
May	86.65	+0.85	87.00	86.20	32,300	8,131
Jun	86.70	+0.80	86.40	86.40	843	19
Jul	86.75	+0.75	87.05	86.40	8,007	586
Aug	86.85	+0.75	-	-	390	-
Total					62,478	14,469

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	381.80-382.00	
Opening	379.80-380.20	
Morning fix	380.75	256.225
Afternoon fix	381.55	256.971
Day's High	382.00-382.40	
Day's Low	379.80-380.00	
Previous close	378.50-378.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.10	6 months	3.26
2 months	3.11	12 months	3.45
3 months	3.15		

Silver Fix	p/troy oz.	US cts equiv.
Spot	352.70	524.30
3 months	357.10	529.00
6 months	361.40	534.10
1 year	369.90	545.05

Gold Coins	$ price	£ equiv.
Krugerrand	382-385	257-260
Maple Leaf	391.65-394.10	-
New Sovereign	90-93	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	381.4	+2.8	-	-	2	1
Apr	382.5	+2.7	383.5	381.5	76,043	19,524
Jun	384.5	+2.7	385.5	383.7	31,024	2,639
Aug	386.8	+2.7	387.4	387.4	5,027	12
Oct	389.2	+2.7	390.0	390.0	4,184	187
Dec	391.7	+2.7	392.8	391.2	13,066	476
Total					147,380	23,195

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	397.7	+4.3	397.8	395.0	14,196	1,117
Jul	398.4	+5.0	398.9	395.5	3,654	253
Oct	398.7	+5.0	394.4	396.0	913	71
Jan	399.1	+5.0	399.0	399.0	460	6
Apr	399.8	+4.7	400.0	400.0	237	-
Total					19,460	1,447

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	136.10	+0.66	136.00	135.25	1,042	891
Jun	137.00	+0.65	137.40	136.00	4,278	1,054
Sep	136.76	+0.65	137.50	136.75	403	170
Dec	136.50	+0.65	-	-	151	5
Total					5,874	2,120

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	535.6	+13.0	537.0	524.5	18,284	17,957
Apr	536.3	+12.8	-	-	1	4
May	539.0	+12.8	538.5	529.0	59,221	20,385
Jul	542.7	+12.8	544.0	533.0	16,422	2,026
Sep	548.6	+12.8	546.0	535.0	3,600	98
Dec	552.2	+12.8	555.0	544.0	8,625	243
Total					114,381	41,078

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	14.68	+0.11	14.81	14.55	114,541	47,323
May	14.85	+0.11	14.98	14.79	84,257	14,764
Jun	15.03	+0.09	15.13	15.01	61,147	5,658
Jul	15.25	+0.12	15.32	15.21	24,301	1,711
Aug	15.47	+0.14	15.48	15.43	14,018	1,259
Sep	15.69	+0.16	15.69	15.69	18,904	880
Total					428,508	77,014

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	13.58	+0.11	13.66	13.53	72,395	22,638
May	13.72	+0.14	13.78	13.66	31,554	5,946
Jun	13.90	+0.17	13.95	13.87	14,320	2,010
Jul	14.04	+0.12	14.09	14.03	9,331	673
Aug	14.20	+0.15	14.26	14.20	4,753	307
Sep	-	-	-	-	2,658	131
Total					138,750	31,816

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	50.65	+0.97	51.30	50.00	13,646	20,008
Apr	45.75	+0.52	46.30	45.45	46,437	16,472
May	43.88	+0.30	44.45	43.80	42,659	4,271
Jun	43.85	+0.27	44.10	43.70	25,020	2,074
Jul	44.55	+0.52	44.70	44.65	18,777	702
Aug	45.25	+0.37	45.30	45.05	8,701	90
Total					182,939	43,811

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	140.50	+1.00	141.50	140.00	34,405	5,182
Apr	140.00	+1.25	140.75	139.50	24,092	2,561
May	139.50	+1.25	140.25	139.50	13,262	600
Jun	140.25	+1.00	140.75	140.00	15,766	765
Jul	142.25	+1.00	142.25	142.00	10,260	179
Aug	144.75	+0.75	-	-	5,069	-
Total					122,256	10,086

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	2.225	-0.067	2.310	2.205	20,387	4,809
May	2.176	-0.046	2.225	2.165	12,141	841
Jun	2.155	-0.031	2.190	2.145	8,375	582
Jul	2.140	-0.031	2.175	2.135	8,394	438
Aug	2.155	-0.021	2.175	2.145	8,005	323
Sep	2.165	-0.034	2.195	2.165	10,238	297
Total					118,528	7,969

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	43.70	-0.38	44.35	43.70	11,883	17,372
Apr	45.80	-0.05	46.25	45.80	38,158	17,537
May	46.60	+0.15	46.80	46.50	39,495	2,947
Jun	47.05	+0.05	47.35	47.00	16,854	2,736
Jul	47.30	+0.15	47.45	47.25	4,469	270
Aug	47.10	-	47.05	47.05	4,637	550
Total					119,497	41,825

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	102.40	+1.40	102.40	101.00	238	5
May	104.20	+1.25	104.10	103.00	2,145	247
Jun	104.00	+0.95	104.00	103.15	384	117
Sep	91.60	+0.25	-	-	193	-
Nov	92.60	+0.35	92.50	92.25	921	-
Jan	94.25	+0.10	-	-	372	
Total					4,332	466

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	342/4	-7/4	349/0	340/0	25,735	20,120
May	345/2	-4/2	349/0	342/2	64,930	24,675
Jul	335/0	-3/4	339/0	332/6	69,095	15,345
Sep	337/0	-3/4	339/2	335/2	14,400	265
Dec	344/4	-3/4	347/4	342/6	19,360	325
Mar	347/4	-5/0	-	-	10	-
Total					213,575	60,730

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	285/4	+1/2	288/0	283/0	104,410	175,610
May	293/6	+2/0	294/0	290/6	625,545	168,605
Jul	296/4	+1/6	296/6	293/6	504,180	89,230
Sep	281/6	+0/4	282/2	280/0	114,535	8,925
Dec	267/2	-0/4	268/0	266/6	261,820	32,785
Mar	273/2	-0/4	275/0	273/0	16,380	470
Total					1,83498	474,320

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	104.65	+0.30	104.75	104.75	215	58
May	105.25	+0.50	105.00	105.00	189	33
Sep	92.50	+0.40	-	-	119	-
Nov	94.00	-1.00	-	-	58	-
Jan	95.75	-0.50	-	-	3	-
May	97.25	-0.25	-	-	-	-
Total					584	91

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	677/2	-3/4	680/2	675/4	86,365	84,070
May	683/6	-3/2	686/6	681/2	300,495	143,345
Jul	686/6	-2/6	689/4	684/4	223,075	43,225
Aug	679/6	-2/6	683/0	678/4	36,555	2,350
Sep	663/0	-2/0	667/0	662/0	18,320	1,240
Nov	650/6	-1/2	654/0	648/6	122,430	17,135
Total					804,950	293,695

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	28.85	-0.04	28.90	28.64	12,725	9,355
May	28.92	-0.04	29.00	28.74	35,237	13,761
Jul	28.90	-0.03	28.96	28.72	28,594	5,021
Aug	28.46	+0.02	28.50	28.26	8,828	795
Sep	27.89	+0.10	27.90	27.70	6,502	883
Oct	26.95	+0.11	27.00	26.80	5,323	270
Total					106,255	32,004

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	192.8	-1.1	194.0	192.6	9,417	14,570
May	193.4	-1.5	194.9	193.0	30,662	10,723
Jul	194.0	-1.3	195.3	193.5	23,462	6,701
Aug	192.8	-1.5	194.4	192.7	6,667	959
Sep	191.5	-1.6	193.2	191.5	5,142	331
Oct	190.5	-1.2	192.1	190.5	2,881	352
Total					87,218	34,411

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	150.0	+10.0	155.0	150.0	36	5
Apr	126.5	+8.7	126.0	120.0	1,655	247
May	144.3	+8.0	144.0	138.5	950	117
Jun	130.0	-	-	-	2	-
Nov	80.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,653	400

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1144	+12	1145	1138	132	11
Apr	1209	+17	1206	1190	341	21
Jul	1100	+11	1095	1088	1,394	5
Oct	1250	+2	-	-	583	-
Jan	1260	-13	-	-	243	-
Apr	1350	-	-	-	74	-
Total					2,822	37

	Close	Prev
BFI	1117	1117

Tea
The Tea Broker's Association reports, landed very strong demand. Bright East Africans sold well and often appreciated several pence. Coloury medium teas met keen competition and prices advanced 5 to 15p and sometimes more. Plainer descriptions were firm to dearer. Brighter ceylons gained up to 15p, others moved 2 to 4p higher. Offshore strong demand. Brighter teas were 4 to 8p dearer while plainer types remained fully firm. Quality 195p/kg nom. good medium 145p/kg. medium 125p/kg. low medium 86p/kg. The highest price realised this week was 215p for a Rwanda pf.1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	886	-16	895	885	11,072	2,155
May	910	-16	919	909	22,407	3,170
Jul	922	-13	930	921	14,433	784
Sep	934	-14	940	933	11,349	351
Dec	946	-13	955	947	17,336	399
Mar	964	-14	968	965	23,051	149
Total					116,849	7,891

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1122	-16	1130	1125	552	349
May	1139	-13	1147	1136	36,484	5,706
Jul	1165	-10	1170	1161	16,334	1,000
Sep	1189	-10	1193	1185	7,840	321
Dec	1217	-12	1225	1216	6,493	404
Mar	1248	-13	1255	1253	9,655	196
Total					87,044	8,316

■ COCOA (ICCO) (SDR's/tonne)

Feb 25	Price	Prev. day
Daily	922.38	922.07
Feb 28		
10 day average	900.24	896.58

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1193	-25	1215	1190	2,727	1,443
May	1213	-22	1231	1208	15,766	2,577
Jul	1218	-15	1230	1210	8,016	879
Sep	1219	-14	1229	1218	3,571	32
Nov	1221	-17	1232	1217	3,417	122
Jan	1219	-14	1229	1215	4,055	38
Total					37,586	5,091

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	74.60	-1.25	75.60	74.10	1,194	195
May	76.40	-1.45	77.60	76.05	30,287	5,324
Jul	77.80	-1.30	78.85	77.50	7,198	671
Sep	79.25	-1.30	80.10	78.80	4,972	127
Dec	80.50	-1.10	81.40	80.25	3,078	226
Mar	81.50	-0.95	82.40	81.50	1,025	26
Total					47,816	6,606

■ COFFEE (ICO) (US cents/pound)

Feb 25	Price	Prev. day
Comp. daily	73.21	73.03
15 day average	72.86	72.73

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	11.98	+0.64	11.34	11.25	804	133
May	11.98	+0.13	12.00	11.90	1,467	55
Jul	12.45	+0.16	12.27	12.26	2,842	105
Oct	11.93	+0.14	-	-	135	-
Total					258	293

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	328.40	+4.60	335.50	321.00	7,589	1,132
Aug	321.50	+3.50	322.00	318.50	3,443	704
Oct	302.80	+2.00	303.00	301.80	3,211	214
Dec	299.60	+2.30	299.50	298.00	118	11
Mar	297.90	+1.10	298.50	296.00	295	64
May	299.10	+0.40	299.40	297.00	191	4
Total					15,038	2,139

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	11.46	+0.32	11.50	11.10	3,398	4,984
May	11.80	+0.17	11.82	11.62	82,342	11,439
Jul	11.98	+0.19	11.99	11.78	26,431	2,463
Oct	11.64	+0.11	-	11.47	21,818	2,218
Mar	11.49	+0.14	11.50	11.37	6,763	397
May	11.48	+0.10	11.38	11.36	942	276
Total					122,888	22,063

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	79.00	+0.15	79.03	78.15	1,086	288
May	79.28	+0.21	79.35	78.55	26,238	8,729
Jul	79.72	+0.27	79.60	79.05	11,797	2,203
Oct	75.04	+0.02	75.15	74.95	2,341	517
Dec	72.29	+0.01	72.35	72.15	10,548	1,189
Mar	73.00	-0.05	73.00	72.95	328	1
Total					52,444	18,807

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	104.30	+0.20	105.40	103.75	2,738	1,792
May	107.65	+0.45	108.60	106.80	7,826	1,117
Jul	110.40	+0.30	111.50	110.00	4,133	759
Sep	112.50	-0.10	113.30	112.40	1,403	18
Nov	113.50	-0.80	113.75	113.50	1,107	20
Jan	115.95	-0.05	115.75	115.40	1,097	70
Total					18,358	3,775

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 28	Feb 25	month ago	year ago
1792.7	1798.4	1728.0	1772.3

■ CRB Futures (Base: 4/9/56=100)

Feb 25	Feb 24	month ago	year ago
227.45	228.38	225.00	202.91

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	77.100	+0.150	77.150	76.750	37,906	10,831
Jun	74.975	-0.025	75.075	74.850	21,175	4,064
Aug	73.425	-0.175	73.650	73.375	12,237	1,498
Oct	73.825	-0.125	73.950	73.800	9,835	726
Dec	74.050	-0.075	74.100	73.925	2,007	96
Feb	73.750	+0.100	73.750	73.750	811	30
Total					84,028	17,185

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	48.500	-0.375	48.700	48.300	14,460	1,983
Jun	54.950	-0.225	55.075	54.825	8,284	769
Jul	54.250	-0.200	54.400	54.025	3,081	160
Aug	52.800	+0.125	52.800	52.400	2,506	60
Oct	48.600	+0.200	48.800	48.300	1,467	13
Dec	49.550	+0.450	49.600	49.050	1,207	17
Total					31,289	2,988

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	56.900	+0.925	57.000	55.200	1,002	676
May	57.925	+0.500	58.100	56.500	5,503	1,336
Jul	58.275	+0.750	58.450	56.700	2,284	244
Aug	55.600	+0.675	55.600	54.675	458	17
Feb	59.825	-0.100	59.825	59.750	15	8
Mar	60.000	+0.750	60.000	-	1	1
Total					9,265	2,281

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1275	51	82	21	37
1300	37	68	32	48
1325	26	56	46	60
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
1850	60	95	29	46
1900	34	69	53	69
1950	18	48	86	97
■ COFFEE LCE	**May**	**Jul**	**May**	**Jul**
1200	49	74	36	56
1250	28	52	65	84
1300	15	36	102	118
■ COCOA LCE	**May**	**Jul**	**May**	**Jul**
900	39	62	29	40
925	28	49	43	52
950	19	39	59	67
■ BRENT CRUDE IPE	**Apr**	**May**	**Apr**	**May**
1300	72	-	10	26
1350	31	-	27	-
1400	12	47	51	-

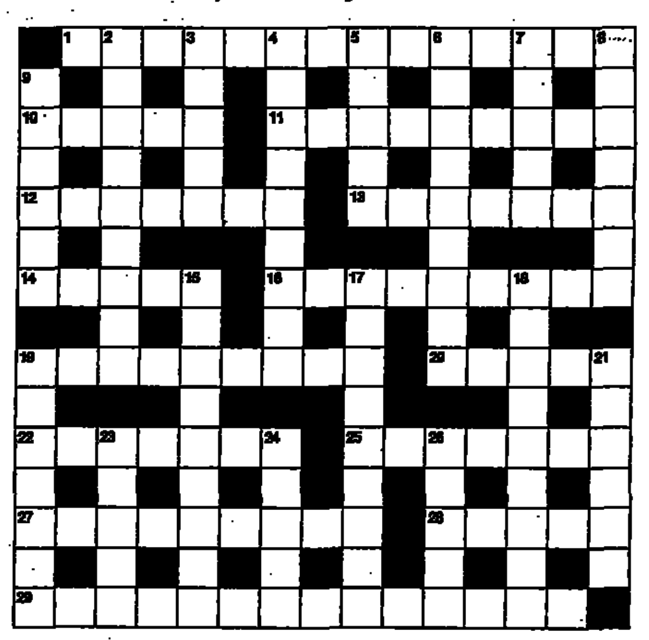
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)		+or-
Dubai	$12.68-2.73w	+0.105
Brent Blend (dated)	$13.53-3.58	+0.22
Brent Blend (Apr)	$13.54-3.56	+0.105
W.T.I. (1pm est)	$14.67-4.69	+0.115
■ OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$154-156	
Gas Oil	$145-147	+2.0
Heavy Fuel Oil	$81-83	
Naphtha	$135-137	+1.0
Jet Fuel	$158-160	+1.0
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)‡	$381.80	+3.1
Silver (per troy oz)‡	532.5c	+10.5
Platinum (per troy oz.)	$394.65	+3.05
Palladium (per troy oz.)	$135.75	-1.0
Copper (US prod.)	92.00c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.58r	-0.02
Tin (New York)	254.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	124.85p	+0.05*
Sheep (live weight)†♣	118.57p	-2.35*
Pigs (live weight)	79.66p	+5.77*
Lon. day sugar (raw)	$280.50	-0.2
Lon. day sugar (wte)	$329.10	+5.6
Tate & Lyle export	$301.00	-0.5
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£143.5	
Wheat (US Dark North)	£129.0	
Rubber (Apr)♥	64.75p	
Rubber (May)♥	65.00p	
Rubber(KL RSS No1 Feb)	240.50m	+1.00
Coconut Oil (Phil)§	$557.5x	-2.5
Palm Oil (Malay.)§	$372.5t	
Copra (Phil)§	$365.0	
Soyabeans (US)	£200.0	-1
Cotton Outlook A Index	82.80c	
Wooltops (64s Super)	373p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Apr. z Mar. t Jul/Sep. x Apr/May. ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,392 Set by PROTEUS



ACROSS

1 Descriptive of old-fashioned husband at breakfast? (6,3,5)
10 Some trashy pedlar given excessive publicity (5)
11 Rude about head valet being bankrupt (9)
12 Pace group find revolutionary (7)
13 Gathering of sailors at church on board ship (7)
14 Clothing worn by custom (5)
16 Tree planted on lot in New York to last indefinitely (9)
19 Bans drug, causing trouble for Rose? (5,4)
20 Wise bird swallows one (5)
22 Culinary instructions to make about a hundred pies? (7)
25 What trouble and skill needed to get across! (7)
27 Dash around at meal. (Butler not in?) (4,5)
28 Part of a gun (5)
29 Sweet fruit-girl (5,9)

DOWN

2 Plant producing exaggerated feeling of well-being in leading botanist (9)
3 Flower some find useful (5)
4 Charlady requiring regular assistance (5,4)
5 One of those ancient prophets (5)
6 Express sound views as discussions seen to falter (4,5)
7 Mother the night before seeing legendary queen (5)
8 Pay in full if stays fit? (7)
9 Yonder church with the straw roof (6)
15 Happen to occupy position (4,5)
17 He gets something out of old farm vehicle (9)
18 Feature column meant to divert (9)
19 Tribe disturbed by army headgear (7)
21 Musical prelude to admittance (6)
23 Muscular spasm keeping runner quiet (5)
24 Creature reluctant to follow scout-leader (5)
26 Animal's saintly home (5)

Solution to Saturday's prize puzzle on Saturday March 12.
Solution to yesterday's prize puzzle on Monday March 14.

JOTTER PAD

هكذا من الاصل

LONDON STOCK EXCHANGE

MARKET REPORT

Strong advance backed by trading programmes

By Terry Byland,
UK Stock Market Editor

Favourable developments on the global interest rate front, backed up by strong rises in UK government securities, drove UK equities ahead yesterday in what was almost a mirror image of last Thursday's setback. Encouraged by buoyancy in New York, London closed at the best of the day, and trading volume picked up after a drab start.

The stock market continued to concentrate on its own concerns, which encompassed bond yields and interest rate prospects, and largely ignored wider issues including the downing of four Bosnian aircraft by UN forces. Reports from the meeting of G7 finance ministers indicated renewed pressure to stimulate global economies.

The final reading for the opening session of the new trading account showed the FT-SE 100 Index 46.9 ahead at 3,328.1. Share prices were in positive form throughout the session, following a bond market encouraged first by news that the Bundesbank had made a variable repo offer, which was interpreted as a nod towards lower interest rates, and then by comments from a governor of the US Federal Reserve that the board's recent modest tightening of policy might prove sufficient to ward off inflationary pressures.

Both moves strengthened the growing hopes in London that last week's sudden alarm over interest rates had been wildly overdone. Traders saw some genuine buying interest, including a strong buying programme among the engineering and oil stocks from a leading overseas-based securities house. At least one other trading programme appeared to cross the trading screens as the market began to gather confidence.

Account Dealing Dates

*First Dealings:	Feb 14	Feb 28	Mar 14
Option Declarations:	Feb 24	Mar 10	Mar 24
Last Dealings:	Feb 25	Mar 11	Mar 25
Account Day:	Mar 7	Mar 21	Apr 5

*New time dealings may take place from two business days earlier.

The improvement spread across the range of the market, lifting the FT-SE Mid 250 Index by 40.1 to 3,960. Trading volume was slow to develop until the trading programmes made their appearance. By the close, Seaq volume totalled 705.7m shares, against 792m on Friday when retail, or customer, business returned a money value of £1.68bn. Selling pressure was relatively light during last week's shakeout in the stock market.

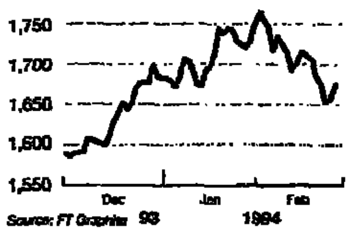
Share gains ranged through the retail and consumer sectors, which are immediate beneficiaries from a more relaxed interest rate environment, to the financial sectors, which had fallen so sharply during the market setback. Notably lagging the market were the big pharmaceutical groups, which have underperformed for several months and continue to fail to hold the confidence of the big international investment funds that were once strong supporters of the sector.

Hongkong and Shanghai Banking responded strongly at first to the excellent dividend and profits news, but the shares cooled off before the close. The banking sector showed some disappointment last week with trading results from National Westminster Bank, raising some concern among market strategists lest the widely anticipated improvement in corporate profits should fail to boost the stock market.

In spite of yesterday's improvements in European bond markets, investors remained nervous regarding the near term outlook. Some have suggested that the UK stock market will now switch from being "interest-rate driven to being corporate-result driven".

The next fortnight will bring profits statements from companies representing around one-third of the market capitalisation of the London stock market.

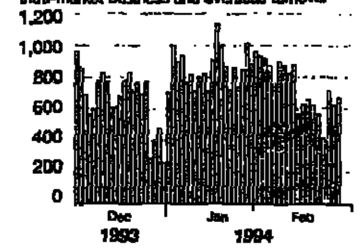
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3328.1	+46.9	FT Ordinary Index	2564.1	+28.2
FT-SE Mid 250	3960.0	+40.1	FT-SE-A Non Fins p/e	22.51	(22.24)
FT-SE-A 350	1684.8	+22.2	FT-SE 100 Fut Mar	3319.0	+51.0
FT-SE-A All-Share	1675.49	20.82	10 yr Gilt yield	6.92	(7.01)
FT-SE-A All-Share yield	3.43	(3.44)	Long gilt/equity yld ratio:	2.14	(2.17)

Best performing sectors

1 Extractive Inds ... +2.9
2 Retailers, Food ... +2.6
3 Telecommunications ... +2.2
4 Property ... +2.1
5 Electricity ... +1.9

Worst performing sectors

1 Other Financial ... -0.2
2 Other Services & Bsns ... +0.2
3 Merchant Banks ... +0.2
4 FT-SE SmallCap ex IT ... +0.2
5 FT-SE SmallCap ... +0.2

Granada stock sold off

The first of the expected bouts of selling of Granada shares following Friday's successful bid for LWT was said to have come from Warburg Pincus, the US venture capital group which had been a firm supporter of the London broadcaster.

Dealers had initially thought that the sellers might be LWT directors, who have a combined stake of 10 per cent in LWT and are widely expected to be among those seeking to sell their new Granada shares. Some 112m have been issued as part of the £760m takeover. The US group was not returning calls yesterday.

Dealers said a number of institutions which are holders of both stocks and are now overweight in the combined group are also likely to be restructuring their portfolios, adding to the selling pressure.

There was some confusion over the size of the Warburg Pincus stake, with market sources putting the number of shares at 9.4m, while the Seaq ticker registered twice that amount being bought at 543p, with large trades going through the other side at 548p.

Dealers said that Cazenove and Hoare Govett had placed the stock, although it was unclear as to whether all the shares had been successfully sold. Granada fell 7 to 552p, with turnover reaching 32m.

HSBC off the top

Top-of-the-range preliminary profits and a higher than expected dividend total from HSBC drove the bank's shares sharply higher during the morning before a rethink by analysts saw the shares drop back to close only marginally higher on balance.

Marketmakers acknowledged the excellent results – "you could not really have asked for much more, especially on the 23 per cent hike in the dividend," said one – but added that the market had been reluctant to push the shares up any further.

They said international institutions had been big buyers of HSBC over the past 18 months and would need some convincing reasons for increasing weightings any further.

Bank specialists were also said to have been slightly disappointed with HSBC's Hang Seng Bank results and worried by margin erosion. "There is a feeling that HSBC shares have outperformed enough in the short term," said one analyst.

HSBC shares touched 971p shortly after the figures were announced, but retreated thereafter to close only 7 higher on balance at 945p after turnover of 5.8m.

Switching out of HSBC and Standard Chartered – the latter fell 12 to 1215p as fund managers fretted about margin erosion in Far Eastern markets – helped the other UK banks make strong progress after last week's sell-off. Barclays was chased higher, closing 17 ahead at 558p, while Lloyds put on 14 at 603p and NatWest the equivalent of 16 to 501p ex-dividend. TSB were aggressively bought, moving up 9 to 246p, while Abbey National, reporting this morning and where the market will focus its interest on the dividend, rose 6 to 505p.

Life assurance stocks underperformed the market ahead of a television programme highlighting the pension transfer story. General Accident, reporting today, jumped 18 to 447p. Sun Alliance closed 8 higher at 357p, with analysts tending to discount the latest speculation surrounding a possible bid move by TransAtlantic Holdings.

A deal to merge the retailing operations of Our Price and Virgin group helped W.H. Smith "A" surge 13 to 519p. Stores analysts were supportive of the move, which they said would bolster Our Price market share through better management and also through the more aggressive use of the Virgin name. Further down the line, there was speculation that the division would be floated off, an old rumour but given added impetus by yesterday's move.

Kingfisher climbed 15 to 602p, aided by a buy recommendation from Lehman Brothers. The broker believes that the quality of the group management deserves a premium to its current market rating and also forecasts a hefty 40 per cent leap in profits at French subsidiary Darty.

Weekend press comment and Friday's management changes helped Burton gain 3½ to 55½p in another day's big turnover of 30m.

Both classes of BT stock, the "old" and the "new" partly-paid shares, made rapid progress as institutions searched for good value in the market. BT "old" settled 7 higher at 434½p after turnover of 6m, while the "new" rose 8¼ to 316½p on 5.8m.

Racal Electronics rose 9 to 229p, albeit in rather thin turnover of 648,000 shares, as two Sunday newspapers revived the long-running story that the company may attract a takeover bid from Cray Electronics. The latter moved forward 3½ to 193p, although volume was also low.

Vodafone shares easily outpaced the rest of the telecoms sector, climbing 20½p to 601½p in the wake of what was thought to be good US support and despite short-term caution being put forward by some UK broking houses.

NatWest Securities took Vodafone off its short term buy list, citing the launch of Hutchison MicroTel's PCN product in the coming weeks as likely to rekindle investors' fears over competition and pricing in mobile phones. But NatWest emphasised its long-term support for Vodafone shares.

Several engineering and aerospace stocks were part of a buy programme said to have been carried out by Nomura. The list is believed to have included Rolls-Royce, 3 firmer at 171p in high volume of 8.2m, Smiths Industries, 9 better at 488p, Glynwed International, which gained 11 at 371p, and Lex Service, up 12 at 554p.

Tobacco and financial services group BAT Industries languished for most of the session on fears that the US Food and Drug Administration (FDA) may apply drug regulations to nicotine in cigarettes. The strong market trend and a feeling that the earlier retreat had been overdone helped the shares recover to end a net 3 ahead at 481p.

International trading group Lonrho advanced 10 to 163½p following Friday's court ruling in Ghana which clears the way later this month for the flotation of Ashanti Goldfield, in which Lonrho has a 45 per cent stake.

Other big moves

Among computer services groups, Micro Focus jumped 42 to 1025p ahead of preliminary figures expected on Thursday. Admiral, scheduled to report this morning, raced up 22 to a record 515p.

The market's two debut stocks performed well, Radstone closing at 131p compared with the 125p placing price, and Finelist ending the session at 150p, against a placing level of 130p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other statistics, Page 24

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (87).
BREWERIES (1) Grosvenor Inns, BUILDING & CNSTRN (3) Mowlem (J), Tay Homes, BLDG MATLS & MCHTS (1) Wilshaw, CHEMICALS (1) Croda Intl, DISTRIBUTORS (3) EW Fact, Evans Halshaw, Faber Prest, DIVERSIFIED INDLS (3) Kvaerner B, Unitere, ELECTRNC & ELECT EQUP (9) Copymore, Microvitec, Mitsubishi, Sony, TDK, Thorpe(FW), Toshiba, Utility Cable, Vitech, ENGINEERING (6) Atlas Copco B, Baynes (C) 5.8p Pf., Brooke Tool, Manganese Bronze, Meggitt, Renold, Siebe, Wagon Ind'l., EXTRACTIVE INDS (3) Boulder Gold, NSM, Waverley Mining Finance, FOOD MANUF (2) Borthwicks, Daniels (S), INSURANCE (1) Windsor, INVESTMENT TRUSTS (5) Abertorth Split Level Cap., EFM Japan Wts., Fairbairn Euro. Smaller, General Consid. Inv Cap., Sphere Tst. Zero Pf., INVESTMENT COMPANIES (1) JF Fledgeling Japan, LEISURE & HOTELS (4) Bluebird Toys, Manchester Utd., Ramsden's (H), Stanley Leis., MEDIA (8) Abbott Mead Vickers, Metro Radio, Phonelink, Quarto, Sunset & Vine, Telegraph, OIL, INTEGRATED (1) Norsk Hydro, [illegible]

EQUITY FUTURES AND OPTIONS TRADING

Active buying returned to stock index futures yesterday, encouraged by a more favourable outlook on interest rates, a firm Wall Street and a positive mood in UK gilts, writes Joel Kibazo.

The opening trade in the March contract on the FT-SE 100 was struck at a firm 3,282 and the contract moved steadily forward, with most of the early demand coming from US houses such as Salomon Brothers and Goldman Sachs. US houses were among last week's big sellers.

A firm Wall Street boosted demand in the afternoon and March reached a peak of 3,323, before coming off the top to finish at 3,319, a 3-point discount to cash. Volume was a reduced 12,657 lots.

In the new FT-SE Mid 250 futures contract, March closed at 3,332.5 on improved volume of 1,425 contracts, against last Friday's debut turnover of 617 lots. On the rival OMLX, a mere 29 deals were registered in the same contract as it ended at 3,960.

In traded options, total volume came to 32,212 contracts, of which 10,644 were dealt in the FT-SE 100 option and 2,014 in the Euro FT-SE 100 option. Lasmo was the most active stock option with 2,534 lots traded, followed by Blue Circle with 1,525 and Lonrho at 1,467.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3282.0	3319.0	+51.0	3327.0	3282.0	12657	60995
Jun	3310.0	3332.5	+52.0	3332.5	3303.5	1425	14163
Sep		3353.0	+52.0			0	440

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3945.0	3964.0	+36.5	3972.0	3942.0	262	178

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3940.0	3966.0	+26.0	3966.0	3940.0	29	2,821
Jun		3977.5					

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3322) £10 per full index point

	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P
Mar	179½	11	138	16	98	28	63½	45	39	70½	21	104½	11	148	5	187½
Apr	196	28	158½	41	123	55½	94	76½	68	100	48	130	33	165	20	202½
May	220½	46½	184½	60	150½	76½	121	96½	94	119	72½	148	52½	178½	39½	215
Jun	233½	58½	197	71½	165½	89	136½	110	109½	132½	88	162	68	190½	51	226
Dec†			277½	127			216	164			167½	213			122½	268

Calls 5,776 Puts 4,631

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P
Mar	202½	9½	167½	14½	117½	24½	81½	36½	52½	57½	31½	87½	15½	125½	8	164
Apr	216	24	176½	34	149	47	107½	64½	79½	86	57	113	39	144½	25½	181
May	238½	39½			167	66½			107½	106			82	159½		
Jun	262	48½			183	78			128	119½			92	173½		
Sept†	292	70½			225	101			167½	141			120½	190½		

Calls 1,583 Puts 454 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950		4000		4050		4100		4150		4200		4250		4300	
Mar	63	47½	38½	71½	22	107	12	146½	5½	190	2½	237	1½	1		1
Apr	98	76½	74½	100	58½	130½	39	165	27		18		11		7	

Calls 24 Puts 114 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
[illegible]			
Bank of Scotland†	6,500	223	+6
Barclays†	4,400	558	+17
Bass†	1,200	537	+10
Blue Circle†	4,300	349	+8
Booker	391	431	+5
Boots†	710	546	+8
Bowater†	571	512	+6
Brit. Aerospace†	1,900	509	+9
British Airways†	3,800	453	+7
British Gas†	12,000	328	+5
British Land	758	444	+11
British Steel†	8,800	143½	+1¼
Bunzl	94	170	-1
Burmah Castrol†	656	853	-3
Burton	30,000	55½	+3½
Cable & Wire†	4,000	473	+14
Cadbury Schweppes†	1,500	506	+½
Calor Group	373	332	+1
Caradon†	883	409	+8
Carlton Comms.†	902	947	+12¾
Coats Viyella†	2,800	288	+8
Comm. Union†	1,100	626	+5¼
Cookson	4,200	287	-2
Courtaulds†	1,200	502	+11
Dalgety	212	470	+8
De La Rue	115	959	+8
Dixons	3,700	214½	+4½
Eastern Elect.	417	659	+5
East Midland Elect.	353	640	+13
Eng China Clays	886	502	+26
Enterprise Oil†	1,400	430	+7
Eurotunnel Units	184	540	+4
FKI	1,600	201	+9
Fisons	409	127	
Foreign & Col. I.T.	542	284	+4
Forte†	729	260	+1
Gen. Accident†	1,900	647	+18
General Elect.†	2,100	320½	+1½
Glaxo†	3,700	678½	+2
Glynwed	1,300	371	+11
Granada†	32,000	555	-7
Grand Met.†	4,000	483	+12
GUS†	661	604	+7½
GRE†	1,700	216	+3
GKN	842	540	+1
Guinness†	3,300	528	+3
HSBC (75p shs)†	5,800	945	+7
Hammerson	80	419	+13
Hanson†	4,800	277¼	+2
Harrisons Crosfield	1,100	209	+2
Hays	1,000	307	
Hillsdown	868	175	+3
IMI	788	347	+2
ICI†	985	782	+5
Inchcape†	339	559	+4
Johnson Matthey	600	569	-1
Kingfisher†	1,700	602	+15
Kwik Save	235	585	+12
Ladbroke†	3,100	209	+7
Land Securities†	824	732	+16
Laporte	191	820	+2
Legal & General†	609	498	+5
Lloyds Abbey	597	397	
Lloyds Bank†	1,300	603	+14
LASMO	3,900	131	+4
London Elect.	497	635	+10
Lonrho	5,700	163½	+10
[illegible]			

FT - SE Actuaries Share Indices — The UK Series

	Feb 28	Day's chge%	Feb 25	Feb 24	Feb 23	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3328.1	+1.4	3281.2	3267.5	3341.9	2882.6	3.60	5.48	22.32	10.46	1223.82
FT-SE Mid 250	3960.0	+1.0	3919.9	3923.0	3974.9	3049.7	3.10	4.86	25.32	11.43	1440.67
FT-SE Mid 250 ex Inv Trusts	3972.9	+1.0	3932.5	3937.3	3987.3	3059.7	3.20	5.20	23.87	11.26	1440.59
FT-SE-A 350	1684.8	+1.3	1662.6	1657.8	1691.8	1421.2	3.49	5.33	22.95	5.20	1268.42
FT-SE SmallCap	2043.99	+0.2	2039.34	2046.77	2084.18	1536.12	2.70	3.44	37.19	5.67	1555.09
FT-SE SmallCap ex Inv Trusts	2022.63	+0.2	2018.85	2027.28	2042.05	1538.41	2.83	3.77	34.63	5.23	1541.10
FT-SE-A ALL-SHARE	1675.49	+1.3	1654.67	1650.46	1682.93	1403.48	3.43	5.20	23.59	5.13	1283.73

■ FT-SE Actuaries All-Share

	Feb 28	Day's chge%	Feb 25	Feb 24	Feb 23	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2588.63	+1.5	2551.13	2532.89	2591.17	2081.40	3.49	4.81	25.71	4.90	1012.10
12 Extractive Industries(4)	3930.51	+2.9	3819.11	3794.52	3820.35	3178.20	3.17	4.65	25.44	0.00	1057.73
15 Oil, Integrated(3)	2509.46	+1.1	2481.76	2482.65	2531.45	1947.70	3.60	4.95	25.19	8.35	1000.91
16 Oil Exploration & Prod(11)	1880.71	+1.6	1851.14	1845.22	1868.71	2023.10	3.18	3.82	39.65	0.00	1066.45
20 GEN MANUFACTURERS(284)	2156.73	+1.0	2136.20	2134.24	2168.15	1713.80	3.42	3.75	34.60	4.39	1069.61
[illegible]											

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	66	4	4
[illegible]			
Totals	1,041	448	1,221

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 4	Last Declarations	June 2
Last Dealings	March 21	For settlement	June 13

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24⅞	+⅛	£25¼	£18¼	6,786	4.3	12.9
ANZ A$		259¼	+4¼	278¼	190	3,391	3.5	20.4
Abbey National	†□	505	+6	524	345	6,620	2.9	19.6
Allied Irish I£	♣□	288xd	+3½	314	179	1,786	4.7	φ
Anglo Irish I£	MN□	63	—	*70	28	153.7	6.6	11.5
Asahi Y		769¼	+6¼	844	415	17,818	0.7	–
Banco Bil Viz Pta		£74⅞	+⅞	£77⅛	£73⅛	3,459	5.5	6.7
Banco Sant Pta		£34⅞	—	£38	£24⅞	3,847	3.9	13.2
Bank Leumi (UK)		450xd	+15½	459	325	36.9	5.6	φ
Bk Ireland I£	♣xc□	271	+3	*319	177	1,277	4.8	20.0
Bank Scotland	♣†□	223	+6	247	116½	2,565	2.6	30.3
9¼pc Pf		133	+1¼	141½	117¼	133.0	8.7	–
9¾pc Pf		138¼	+1¼	148½	123½	139.6	8.7	–
Barclays	†N□	559	+17	602	382	9,058	2.8	–
Dai Ichi Kan Y		£12⅛	+¼	£15⅞	£8⅞	40,320	0.4	71.5
Deutsche DM		£321½	+⅞	£340⅞	£250½	15,311	1.9	–
Espirito Santo		£24⅞	+⅛	£26⅞	£16⅛	262.6	3.3	5.9
First Nat Fin	N□	67xd	—	*95	45	145.6	2.2	–
6.3pc Cv Pf		89	—	*91	55	6.98	8.8	–
7pc Cv Pf		165	—	171	106	78.3	5.3	–
Fuji Bank Y		1565½	+38¼	1651	876	43,669	0.4	–
HSBC HK	□	872	+11	1133	474	16,582	3.1	φ
HSBC (75p Shs)	□	945	+7	1113	490	7,768	3.2	φ
Lloyds	♦N□	603xd	+14	690	462	7,749	4.6	12.7
Mitsubishi Y		£18⅞	+⅞	£19¼	£11¼	53,387	0.3	–
Mits Tst & Bk Y		949½	+65½	1013½	462½	12,328	0.5	19.2
Mitsui Tst & Bk Y		739¼	+31¼	862	374	8,706	0.7	25.0
Nat Aust A$		572¼	+¼	620¼	322	7,929	4.1	13.9
NatWest	♦N□	501xd	+16	634	388	8,326	4.6	13.8
Ottomane FFr		£30¼	—	£33	£23¼	191.2	5.0	8.9
Ryl Bk Scotland	♣N□	464	+17	528	207	3,683	3.0	21.0
Sakura Y		29⅞	+⅞	£11	£5¼	32,126	0.6	60.5

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OIL, INTEGRATED - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£17	.....	£19½	£7½	1,815	4.1	14.3
Barlow		£9⅜	-⅛	£5⅞	£3⅜	773.2	8.3	7.2
Gold Fields SA R		£13½xd	+⅛	£18	£7¼	1,302	3.0	22.7
MK Props.	s	90	.....	97	68	3.82	9.9	37.0
SASOL	♥	317	-2	337	215	1,795	4.9	-
SA Brews		£11⅜	-⅛	£15⅛	£7⅜	6,410	2.3	19.6
Tiger Oats		*713*	.....	*838*	*513*	*1,071*	*2.3*	*15.1*
Tongaat-Hulett	†	471	-1	522	212	352.5	3.2	13.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is *indicated after the name.*

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published *on Monday.*

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed *on profit after taxation, excluding exceptional profits/losses and unrelieved* ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ *Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.*
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ *Interim since reduced, passed or deferred*
- ♦ Figures or report awaited
- ♥ *Not officially UK listed, dealings permitted under rule 535(4)(a)*
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ *Price at time of suspension*
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

T.U. Fund Managers Limited (1200)H
NLA Tower, Addiscombe Road, Croydon

Templeton Unit Trust Managers Ltd (1200)F
20 Castle Terrace, Edinburgh EH1 2EH

Thornton Unit Managers Ltd (1200)F
33 Queen Street, London EC4R 1AX 071-248 2000
Dealing 071-248 3001

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Pension Funds

Abbey National Life Plc
287 St Vincent Street, Glasgow 041 305 2000

Acuma Life Assurance Ltd
The Glanty, Egham, Surrey TW2 9AT

OTHER UK UNIT TRUSTS

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Royal Liver Assurance - Contd.				
Tax Exempt				
Tax Exempt Mngd	70.1	73.8	—	-
S-E-Banken Life Assurance Co Ltd				
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7560				
Managed Fund	159.9	167.3	—	-
Pension Mngd Fd	179.1	188.6	-0.2	-
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
Bal Inv Fd	778.3	823.7	+3.7	2.13
Coventry AG Bond Fd	165.7	175.4	-0.9	-
Deposit Fd†	360.6	381.6	—	5.75
Directors' Portfolio	86.3	91.4	+2.8	-
Equity Pens Fd	196.1	207.6	+2.2	-
European Mngd Fd	68.7	72.8	-0.4	-
Gilt Fd	428.1	456.6	+2.6	7.42
Gilt Pens Fd	144.7	153.2	+0.6	7.29
Global Equity Fd	247.4	261.6	+0.7	-
Global Eq Pens Fd	246.6	261.0	+1.6	-
High Yd Pens Fd†	132.6	140.3	—	5.47
Japanese Mngd Fd	97.5	103.2	+1.1	-
Managed Income Fd	50.9	53.9	+0.1	5.82
Man Pens Fd	203.6	215.7	+1.5	1.89
North American Mngd Fd	72.0	76.2	-0.1	-
Pacific Mngd Fd	80.1	85.4	-0.6	-
Property Fd	100.4	106.3	—	5.87
Prop Pens Fd*	131.4	139.1	—	6.55
Thornton Lambert Managed	237.0	250.8	+0.5	-
UK Capital Portfolio	64.2	68.0	+1.0	-
UK Managed Gth Fd	62.6	65.7	-0.4	-
†Weekly dealings *Fortnightly dealings				
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	478.9	504.2	+6.30	-
Equity	600.5	632.2	+10.20	-
Property	286.4	301.6	+0.10	-
International	480.4	505.6	+4.90	-
Japanese	127.6	134.4	+2.10	-
Asia Pacific	202.0	212.7	+0.90	-
European	129.9	136.6	+1.50	-
American	161.5	170.0	+0.70	-
Fixed Interest	383.9	404.2	+4.20	-
Index-Linked Gilt	199.3	209.8	+0.80	-
Cash	224.6	236.5	—	-
Life Funds (Second Series)				
Managed	133.8	140.9	+1.80	-
Equity	129.6	136.5	+2.20	-
Property	130.9	137.3	—	-
International	149.0	156.9	+1.50	-

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd - Contd.				
Pension Managed Funds				
Skandia Cautious	160.0	168.4	-1.3	-
Skandia Balanced	607.9	639.9	-5.9	-
Skandia Ethical Selection	140.2	147.6	-0.7	-
Skandia Deposit	449.0	472.6	+0.2	-
Abbott Managed	147.2	154.9	-1.4	-
Baring Managed	167.6	176.6	-1.7	-
BZW Managed	133.1	140.1	—	-
CU Managed	[illegible]	315.3	-2.4	-
Fidelity Managed	243.1	[illegible]	-2.9	-
Fleming Managed Inv Tst	162.5	170.8	-3.4	-
F & C Investment Trust	213.2	224.4	-1.5	-
Framlington Managed	378.4	398.3	-2.8	-
Gartmore Managed	403.7	424.9	-2.9	-
Henderson Managed	365.9	384.2	-3.0	-
Hill Samuel Managed	311.7	328.7	—	-
Invesco Managed	287.9	303.0	-1.9	-
James Capel Core Mngd	162.9	171.4	-1.4	-
Kleinwort Benson Mngd	153.3	161.3	-1.1	-
Martin Currie Mngd	182.1	191.6	-2.2	-
Morgan Grenfell Mngd	158.1	165.6	-1.4	-
Mercury Johnstone Mngd	168.5	177.3	-2.0	-
Perpetual Managed	278.6	293.2	-1.7	-
Schroder Managed	154.9	163.0	-0.3	-
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ 031-225 2552				
Managed	721.3	759.3	+6.4	-
Equity	1025.7	1079.7	+9.4	-
Fixed Interest	407.9	429.4	+4.7	-
Index-Linked	209.7	220.8	+0.8	-
International	642.7	676.6	+2.7	-
North American	147.2	155.0	+0.3	-
Far East	183.7	193.4	+2.0	-
European	172.6	181.6	-0.3	-
Property	342.6	360.7	+0.1	-
Cash	262.7	276.6	+0.1	-
Pension Managed	1018.2	1069.7	+8.0	-
Pension Stock Exchange	229.9	242.1	+2.1	-
Pension Equity	1496.1	1584.4	+16.9	-
Pension Fxd Int	551.6	580.7	+5.0	-
Pension Index-Linked	290.0	305.3	+1.3	-
Pension International	911.1	959.1	+4.6	-
Pension Property	444.5	467.9	+0.7	-
Pension Cash	406.1	427.5	+0.1	-
Pension Nth American	184.8	194.6	+0.7	-
Pension Far East	148.6	156.4	+1.9	-
Pension European	207.1	218.0	-0.6	-
Sun Alliance Group				
St Mark's Court Horsham 0403 232323				

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Foreign & Colonial Mngmt (Jersey) Ltd

Commercial Union Luxembourg SA - Contd.

Nomura Global Fund (z)

Credit Suisse - Contd.

SCI/TECH SA

Scudder, Stevens & Clark

Credit Suisse

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark moves higher

The German Bundesbank yesterday sent a clear signal that interest rates are likely to fall when it announced a variable rate for its 15-day securities repurchase tender, *writes Philip Gawith.*

The repo is the main instrument by which the Bundesbank sets money market rates and a variable rate - which is more responsive to market forces than if the Bundesbank sets the rate itself - should herald an easing of monetary policy.

Yesterday's move came amidst indications that last week's turmoil in financial markets, and pressure on the dollar from a stronger yen, have combined to lend strength to the D-Mark.

The German currency closed in London yesterday at DM1.7069 against the dollar, a pfennig stronger than its low for the day of DM1.7167. It was also stronger in Europe, closing at L988.2 against the Italian lira from Friday's close of L984.3.

The prices of UK and German interest rate futures also recovered yesterday, indicating a return to fundamentals in markets' assessment of the outlook for interest rates.

The dollar gained initial support from the German repo announcement, and the downing of four Serbian aircraft by NATO. Renewed fears, however, of a stronger yen after the weekend's G7 summit kept the dollar under pressure and it was trading lower in New York.

■ Although the Bundesbank's move to a variable rate repo was not unexpected, it was still welcomed as confirmation that German interest rates are likely to fall further. It is the first time the Bundesbank has set a variable rate tender since mid-November. The repo rate has been held at six per cent since early December.

It may, in the short term, prove to be of mostly symbolic significance. For technical reasons - the allocation of funds in this week's repo coincides with the introduction of new minimum reserve requirements for banks - the repo rate is unlikely to fall much.

Easing reserve requirements will put liquidity into the market. The Bundesbank will want to drain this liquidity without putting upward pressure on short-term rates which are already high. German call money is trading at about 6.7 per cent, up from 6 per cent before the Bundesbank eased policy on February 17.

Mr Avinash Persaud, head of currency research at JP Morgan (Europe), described the move to a variable rate as "highly significant". He said the early resumption of European rate cuts, which the Bundesbank move appears to encourage, provided the signal to stop the liquidity withdrawal which has hit world bond and equity markets recently, and also spilled over into currencies.

Not all observers were as sanguine. Mr Paul Chertkow, head of global currency research at UBS, said the variable repo would help, but markets remained "incredibly nervous". He said that, although UBS's three month prognosis for the dollar remained positive, the short-term outlook was "very depressed".

Mr Chertkow placed the blame for the current uncertainty squarely with the US government. "The Clinton administration is playing with fire and it could very easily get out of control." He said a financial meltdown similar to October 1987 was possible.

The UBS analyst said the only means of averting this scenario, and arresting a possible dollar rout against the yen, was a "policy catalyst".

"The policy (of talking up the yen) emanated from the Clinton administration and the Clinton administration, through the Fed, must now act," added Mr Chertkow.

Just as the Fed intervened to support the dollar last August when it fell to Y100.3, so it should do so again, "actively and publicly".

Putting downward pressure on the dollar was the absence of any clear statement from the weekend G7 meeting of agreement between Japan and the US about their trade differences. The Bank of Japan is trying to counter the strength of the yen, with some traders estimating that the BOJ has been buying dollars to the tune of $500m-$1bn a day.

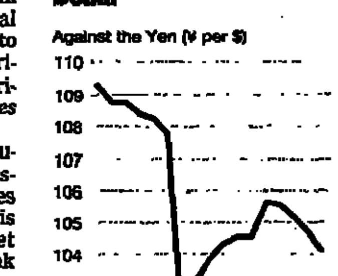
With the BOJ not apparently enjoying much support in its efforts, there is little confidence it can resist the trend. Most observers agree that the rate is the function of political events, although some argue that fundamental flows into yen - the current account surplus not being fully offset by capital outflows - could be the dominant force.

■ Sterling had a fairly quiet day. Although the trade dispute with Malaysia is a negative factor, the currency is being underpinned by the prospect of lower interest rates in continental Europe. It finished slightly lower against the dollar, at $1.4861 from $1.4904 on Friday. Compared to the D-Mark, it fell to DM2.5366 from DM2.5418.

■ The Bank of England yesterday provided UK money markets with £325m of late assistance after revising its forecast of the liquidity shortage to £1.45bn. Earlier it had provided the market with £1.136bn of assistance at the established rate of 5 3/32 per cent.

Dollar

Against the Yen (¥ per $)



Source: FT Graphite

■ **Pound in New York**

Feb 28	—Latest—	— Prev. close —
£ spot	1.4880	1.4865
1 mth	1.4858	1.4862
3 mth	1.4828	1.4831
1 yr	1.4749	1.4749

■ **OTHER CURRENCIES**

Feb 28	£	$
Hungary	154.087 - 154.339	103.720 - 103.820
Iran	2587.00 - 2593.00	1748.00 - 1750.00
Kuwait	0.4409 - 0.4423	0.2968 - 0.2975
Poland	32611.9 - 32633.8	21952.0 - 21952.0
Russia	2320.25 - 2321.25	1568.50 - 1567.50
U.A.E.	5.4596 - 5.4710	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Feb 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.9131	+0.0065	015 - 247	17.9330	17.8645	17.9093	0.3	17.9037	0.2	-	-	113.3
Belgium	(BFr)	52.2216	-0.1195	743 - 689	52.4751	52.1743	52.2786	-1.3	52.3816	-1.2	52.7086	-0.9	114.4
Denmark	(DKr)	9.9324	-0.0295	253 - 394	9.9854	9.9253	9.9425	-1.2	9.9633	-1.2	9.9998	-0.7	114.5
Finland	(FM)	8.2205	-0.0222	103 - 307	8.2730	8.2103	-	-	-	-	-	-	81.7
France	(FFr)	8.6244	-0.0256	197 - 290	8.6680	8.6197	8.6392	-1.5	8.649	-1.1	8.676	-0.6	108.2
Germany	(DM)	2.5366	-0.0052	352 - 379	2.5593	2.5352	2.5395	-1.4	2.5424	-0.9	2.5445	-0.3	122.6
Greece	(Dr)	367.736	-0.53	240 - 231	369.336	367.240	-	-	-	-	-	-	-
Ireland	(I£)	1.0396	-0.0027	381 - 415	1.0443	1.0381	1.0404	-0.7	1.042	-0.8	1.0462	-0.6	103.9
Italy	(L)	2506.98	+5.03	532 - 864	2516.27	2504.25	2513.26	-3.0	2529.58	-3.0	2574.43	-2.7	75.4
Luxembourg	(LFr)	52.2216	-0.1195	743 - 689	52.4751	52.1743	52.2786	-1.3	52.3816	-1.2	52.7086	-0.9	114.4
Netherlands	(Fl)	2.8483	-0.0062	479 - 506	2.8631	2.8478	2.8505	-0.9	2.8509	-0.2	2.8445	0.2	118.0
Norway	(NKr)	11.0040	-0.0301	968 - 092	11.0833	10.9886	10.9984	0.6	11.0109	-0.3	11.0021	0.0	84.5
Portugal	(Es)	257.912	-1.037	603 - 220	259.521	257.803	258.887	-4.5	260.232	-4.5	-	-	-
Spain	(Pta)	206.731	-0.801	602 - 860	207.706	206.602	207.381	-3.8	208.581	-3.6	212.801	-2.9	85.2
Sweden	(SKr)	11.8675	-0.0415	578 - 770	11.9336	11.8336	11.897	-2.0	11.924	-1.9	12.047	-1.5	75.9
Switzerland	(SFr)	2.1225	-0.0043	210 - 239	2.1289	2.1205	2.1208	0.9	2.1187	1.1	2.0894	1.2	118.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.6
Ecu	-	1.3116	-0.0027	109 - 122	1.3176	1.3109	1.3129	-1.2	1.3154	-1.2	1.3205	-0.7	-
SDR†	-	0.942397	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4869	-0.0047	853 - 865	1.4933	1.4834	-	-	-	-	-	-	-
Brazil	(Cr)	946.988	+11.48	054 - 321	949.000	931.000	-	-	-	-	-	-	-
Canada	(C$)	2.0096	-0.0032	085 - 106	2.0116	2.0000	2.0073	1.3	2.0036	1.2	1.9963	0.7	89.1
Mexico	(New Peso)	4.7481	-0.0285	316 - 646	4.7846	4.6807	-	-	-	-	-	-	-
USA	($)	1.4861	-0.0043	856 - 866	1.4900	1.4835	1.484	1.7	1.4809	1.4	1.4726	0.9	66.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0851	+0.0167	836 - 865	2.0934	2.0680	2.0836	0.9	2.0812	0.7	2.0793	0.3	-
Hong Kong	(HK$)	11.4824	-0.0425	777 - 870	11.5229	11.4637	11.4684	1.4	11.4636	0.6	11.4149	0.6	-
India	(Rs)	46.6115	-0.1408	884 - 346	46.7340	46.5410	-	-	-	-	-	-	-
Japan	(Y)	154.778	-1.299	680 - 875	155.950	154.570	154.403	2.9	153.683	2.9	150.293	2.9	187.8
Malaysia	(M$)	4.0526	-0.0106	487 - 564	4.0636	4.0486	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5821	-0.0002	796 - 845	2.5883	2.5715	2.585	-1.3	2.5893	-1.1	2.5979	-0.6	-
Philippines	(Peso)	41.1651	-0.1177	026 - 275	41.5160	41.0026	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5731	-0.0163	707 - 755	5.5889	5.5633	-	-	-	-	-	-	-
Singapore	(S$)	2.3496	-0.0089	480 - 511	2.3608	2.3469	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1594	-0.0155	565 - 622	5.1757	5.1515	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0033	-0.0163	935 - 130	7.0359	6.9935	-	-	-	-	-	-	-
South Korea	(Won)	1200.55	-5.37	007 - 102	1205.11	1198.52	-	-	-	-	-	-	-
Taiwan	(T$)	39.3594	-0.1125	387 - 800	39.4400	39.3000	-	-	-	-	-	-	-
Thailand	(Bt)	37.6281	-0.0927	005 - 556	37.6970	37.5890	-	-	-	-	-	-	-

†SDR rate for Feb.25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.0538	+0.0388	500 - 575	12.0705	12.0125	12.0726	-1.9	12.1023	-1.8	12.1473	-0.8	102.9
Belgium	(BFr)	35.1400	+0.02	200 - 600	35.3100	35.1200	35.225	-2.9	35.38	-2.7	35.82	-1.9	104.0
Denmark	(DKr)	6.6835	-0.0008	810 - 860	6.7225	6.6810	6.699	-2.8	6.7275	-2.6	6.7947	-1.7	103.3
Finland	(FM)	5.5316	+0.0009	266 - 366	5.5712	5.5160	5.5361	-1.0	5.5456	-1.0	5.5716	-0.7	76.5
France	(FFr)	5.8034	-0.0006	022 - 045	5.8330	5.8022	5.8193	-3.3	5.8407	-2.6	5.8912	-1.5	104.6
Germany	(D)	1.7069	+0.0014	065 - 072	1.7167	1.7065	1.7114	-3.1	1.7169	-2.3	1.7278	-1.2	104.2
Greece	(Dr)	247.450	+0.35	200 - 700	248.420	247.200	251.325	-18.8	258.2	-17.4	287.45	-16.2	71.2
Ireland	(I£)	1.4232	-0.0004	273 - 311	1.4311	1.4228	1.4262	2.6	1.4204	2.5	1.4037	1.8	-
Italy	(L)	1686.95	+8.18	640 - 750	1693.00	1684.00	1692.95	-4.3	1705.45	-4.4	1749.45	-3.7	76.0
Luxembourg	(LFr)	35.1400	+0.02	200 - 600	35.3100	35.1200	35.225	-2.9	35.38	-2.7	35.82	-1.9	104.0
Netherlands	(Fl)	1.9173	+0.0013	170 - 175	1.9275	1.9165	1.9205	-2.0	1.9255	-1.7	1.9333	-0.8	103.4
Norway	(NKr)	7.4046	+0.0009	036 - 056	7.4460	7.3995	7.4131	-1.4	7.4308	-1.4	7.4596	-0.7	94.7
Portugal	(Es)	173.550	-0.2	400 - 700	174.650	173.400	174.415	-6.0	176.175	-6.1	182.75	-5.3	93.7
Spain	(Pta)	139.110	-0.14	070 - 150	139.850	139.070	139.705	-5.1	140.85	-5.0	144.61	-4.0	80.5
Sweden	(SKr)	7.9857	-0.0051	819 - 894	8.0335	7.9449	8.0097	-3.6	8.0532	-3.4	8.1782	-2.4	81.1
Switzerland	(SFr)	1.4282	+0.0012	277 - 287	1.4332	1.4253	1.4291	-0.8	1.4301	-0.5	1.4247	0.2	105.4
UK	(£)	1.4861	-0.0043	856 - 866	1.4900	1.4835	1.484	1.7	1.4809	1.4	1.4726	0.9	89.5
Ecu	-	1.1331	-0.0009	329 - 333	1.1333	1.1272	1.1305	2.8	1.1256	2.6	1.1149	1.6	-
SDR†	-	1.39569	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0003	998 - 999	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(Cr)	637.230	+9.52	220 - 240	637.600	637.220	-	-	-	-	-	-	-
Canada	(C$)	1.3523	+0.0017	520 - 525	1.3525	1.3479	1.3526	-0.3	1.3532	-0.3	1.3563	-0.3	85.6
Mexico	(New Peso)	3.1950	-0.01	850 - 050	3.2050	3.1619	3.1966	-0.6	3.1994	-0.6	3.21	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.6
Pacific/Middle East/Africa													
Australia	(A$)	1.4030	+0.0152	025 - 035	1.4059	1.3906	1.404	-0.9	1.4069	-1.1	1.4144	-0.8	88.6
Hong Kong	(HK$)	7.7265	-0.0065	260 - 270	7.7320	7.7250	7.7272	-0.1	7.7312	-0.2	7.75	-0.3	-
India	(Rs)	31.3650	-0.005	600 - 700	31.3700	31.3350	31.43	-2.5	31.565	-2.6	-	-	-
Japan	(Y)	104.150	-0.575	110 - 190	104.650	104.000	104.045	1.2	103.77	1.5	102.125	1.9	147.1
Malaysia	(M$)	2.7270	+0.0005	260 - 280	2.7280	2.7240	2.721	2.6	2.7045	3.3	2.777	-1.8	-
New Zealand	(NZ$)	1.7375	+0.0048	364 - 385	1.7385	1.7292	1.7391	-1.1	1.7436	-1.4	1.7578	-1.2	-
Philippines	(Peso)	27.7000	-	000 - 000	27.8500	27.5500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-0.0002	498 - 505	3.7505	3.7498	3.7526	-0.8	3.757	-0.7	3.7757	-0.7	-
Singapore	(S$)	1.5810	-0.0016	805 - 815	1.5833	1.5805	1.581	0.0	1.581	0.0	1.6045	-1.5	-
S Africa (Com.)	(R)	3.4718	-0.0005	710 - 725	3.4830	3.4675	3.4861	-4.9	3.5151	-5.0	3.6123	-4.0	-
S Africa (Fin.)	(R)	4.7125	+0.0025	075 - 175	4.7300	4.7075	4.7435	-7.9	4.8075	-8.1	-	-	-
South Korea	(Won)	807.850	-1.3	800 - 900	809.200	807.800	810.85	-4.5	814.35	-3.2	832.85	-3.1	-
Taiwan	(T$)	26.4850	-	800 - 900	26.4900	26.4600	26.5875	-4.6	26.735	-3.8	-	-	-
Thailand	(Bt)	25.3200	+0.01	100 - 300	25.3300	25.2700	25.39	-3.3	25.53	-3.3	25.67	-1.4	-

†SDR rate for Feb.25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.25. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb.28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	16.51	4.858	1.992	4801	5.456	21.06	493.9	395.8	22.73	4.064	1.915	3.849	2.846	296.4	2.512
Denmark	(DKr)	52.58	10	8.683	2.554	1.047	2524	2.869	11.08	259.7	208.1	11.95	2.137	1.007	2.024	1.496	155.9	1.321
France	(FFr)	60.55	11.52	10	2.942	1.206	2907	3.304	12.76	299.0	239.7	13.76	2.461	1.160	2.331	1.723	179.5	1.521
Germany	(DM)	20.58	3.915	3.399	1	0.410	988.2	1.123	4.336	101.7	81.47	4.679	0.836	0.394	0.792	0.586	61.02	0.517
Ireland	(I£)	50.21	9.550	8.292	2.439	1	2411	2.739	10.58	248.0	198.8	11.41	2.040	0.962	1.933	1.429	148.8	1.262
Italy	(L)	2.083	0.396	0.344	0.101	0.041	100.	0.114	0.439	10.29	8.245	0.473	0.085	0.040	0.080	0.059	6.175	0.052
Netherlands	(Fl)	18.33	3.486	3.027	0.890	0.365	880.0	1	3.861	90.52	72.55	4.166	0.745	0.351	0.706	0.522	54.33	0.461
Norway	(NKr)	47.47	9.029	7.840	2.306	0.945	2279	2.590	10	234.5	187.9	10.79	1.929	0.909	1.827	1.351	140.7	1.193
Portugal	(Es)	20.25	3.851	3.344	0.984	0.403	972.1	1.105	4.265	100.	80.15	4.603	0.823	0.388	0.779	0.576	60.02	0.509
Spain	(Pta)	25.26	4.805	4.172	1.227	0.503	1213	1.378	5.322	124.8	100.	5.743	1.027	0.484	0.972	0.719	74.89	0.635
Sweden	(SKr)	43.99	8.367	7.265	2.137	0.876	2112	2.400	9.267	217.3	174.1	10	1.788	0.842	1.693	1.252	130.4	1.105
Switzerland	(SFr)	24.61	4.680	4.064	1.196	0.490	1181	1.343	5.184	121.5	97.41	5.594	1	0.471	0.947	0.700	72.95	0.618
UK	(£)	52.22	9.932	8.624	2.537	1.040	2507	2.849	11.00	257.9	206.7	11.87	2.122	1	2.010	1.486	154.8	1.312
Canada	(C$)	25.98	4.941	4.291	1.262	0.517	1247	1.417	5.473	128.3	102.8	5.905	1.056	0.498	1	0.739	77.01	0.653
US	($)	35.14	6.684	5.803	1.707	0.700	1687	1.917	7.402	173.6	139.1	7.988	1.428	0.673	1.353	1	104.2	0.883
Japan	(Y)	337.3	64.16	55.71	16.39	6.718	16195	18.40	71.06	1666	1335	76.68	13.71	6.460	12.98	9.599	1000.	8.475
Ecu		39.80	7.570	6.573	1.934	0.793	1911	2.171	8.384	196.6	157.5	9.047	1.617	0.762	1.532	1.133	118.0	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5846	0.5840	-0.0005	0.5854	0.5822	47,072	122,680
Jun	0.5815	0.5811	-0.0002	0.5830	0.5790	4,123	13,056
Sep	-	0.5785	-	-	0.5780	934	845

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7002	0.7003	-	0.7008	0.6972	24,439	45,257
Jun	0.6988	0.7002	+0.0014	0.7003	0.6976	3,442	5,799
Sep	-	0.7005	-	0.7005	0.6990	5	57

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9580	0.9603	+0.0051	0.9623	0.9558	21,842	89,888
Jun	0.9627	0.9641	+0.0052	0.9642	0.9600	2,247	8,968
Sep	-	0.9680	-	0.9680	-	108	930

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4882	1.4866	-0.0010	1.4886	1.4830	15,935	37,546
Jun	1.4800	1.4820	-0.0006	1.4838	1.4794	750	3,098
Sep	-	1.4800	-	1.4800	1.4760	26	447
Dec	-	1.4770	-	1.4770	1.4730	1	12

EMS EUROPEAN CURRENCY UNIT RATES

Feb 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.790844	-0.001158	-2.20	4.45	15
Netherlands	2.19672	2.17417	+0.00032	-1.03	3.22	-
Belgium	40.2123	39.8427	-0.0448	-0.92	3.10	7
Germany	1.94964	1.93639	+0.00086	-0.68	2.86	-
France	6.53883	6.58146	-0.00183	0.65	1.49	-5
Denmark	7.43679	7.58409	+0.00396	1.98	0.17	-14
Portugal	192.854	196.789	-0.49	2.04	0.11	-14
Spain	154.250	157.576	-0.281	2.16	0.00	-15
NON ERM MEMBERS						
Greece	264.513	280.545	+0.088	6.06	-3.68	-
Italy	1793.19	1908.27	+5.68	6.31	-3.90	-
UK	0.786749	0.759562	-0.00096	-3.46	5.81	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.400	8.46	8.40	8.46	0.02	0.07	0.30
1.425	6.02	6.18	6.39	0.03	0.29	0.66
1.450	3.62	4.15	4.53	0.08	0.75	1.28
1.475	1.62	2.54	2.99	0.50	1.58	2.22
1.500	0.41	1.37	1.89	1.79	2.85	3.50
1.525	0.05	0.66	1.10	3.84	4.63	5.19

Previous day's vol., Calls 136,732 Puts 46,054 . Prev. day's open int., Calls 620,824 Puts 556,617

WORLD INTEREST RATES

MONEY RATES

February 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ $ LIBOR FT London Interbank Fixing; US Dollar CDs; SDR Linked Ds — [illegible]

EURO CURRENCY INTEREST RATES

Feb 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate — [illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100% — [illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100% — [illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100% — [illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100% — [illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100% — [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100% — [illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100% — [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100% — [illegible]

UK INTEREST RATES

LONDON MONEY RATES

Feb 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount market deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK clearing bank base lending rate 5 1/4 per cent from February 8, 1994 — [illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100% — [illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100% — [illegible]

BASE LENDING RATES

	%		%
Adam & Company	5.25	Duncan Lawrie	5.25
Allied Trust Bank	5.25	Exeter Bank Limited	6.25
AIB Bank	5.25	Financial & Gen Bank	6
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25
B&C Merchant Bank	6.25	Girobank	5.25
Bank of Baroda	5.25	●Guinness Mahon	5.25
Banco Bilbao Vizcaya	5.25	Habib Bank AG Zurich	5.25
Bank of Cyprus	5.25	●Hambros Bank	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25
Bank of Ireland	5.25	●C. Hoare & Co	5.25
Bank of Scotland	5.25	Hongkong & Shanghai	5.25
Barclays Bank	5.25	Julian Hodge Bank	5.25
Brit Bk of Mid East	5.25	●Leopold Joseph & Sons	5.25
●Brown Shipley	5.25	Lloyds Bank	5.25
CL Bank Nederland	5.25	Meghraj Bank Ltd	5.25
Citibank NA	5.25	Midland Bank	5.25
Clydesdale Bank	5.25	*Mount Banking	6
The Co-operative Bank	5.25	NatWestminster	5.25
Coutts & Co	5.25	●Rea Brothers	5.25
Credit Lyonnais	5.25		
Cyprus Popular Bank	5.25		
*Roxburghe Bank Ltd is no longer authorised as a banking institution.	8	Unity Trust Bank Plc	5.25
Royal Bk of Scotland	5.25	Western Trust	5.25
●Smith & Williamson Secs	5.25	Whiteaway Laidlaw	5.25
Standard Chartered	5.25	Yorkshire Bank	5.25
TSB	5.25		
United Bk of Kuwait	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 28 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Feb 28 / Frs.)

[illegible]

DENMARK (Feb 28 / Kr)

[illegible]

FINLAND (Feb 28 / Mkk)

[illegible]

FRANCE (Feb 28 / Frs.)

[illegible]

GERMANY (Feb 28 / Dm.)

[illegible]

ITALY (Feb 28 / Lire)

[illegible]

NETHERLANDS (Feb 28 / Fls.)

[illegible]

NORWAY (Feb 28 / Kroner)

[illegible]

SPAIN (Feb 28 / Pts.)

[illegible]

SWEDEN (Feb 28 / Kronor)

[illegible]

SWITZERLAND (Feb 28 / Frs.)

[illegible]

PACIFIC

JAPAN (Feb 28 / Yen)

[illegible]

HONG KONG (Feb 28 / H.K.$)

[illegible]

MALAYSIA (Feb 28 / MYR)

[illegible]

SINGAPORE (Feb 28 / S$)

[illegible]

AUSTRALIA (Feb 28 / Aust$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Feb 28 / Can $) 4 pm close

[illegible]

MONTREAL (Feb 28 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Feb 28 / Rand)

[illegible]

■ TOKYO - MOST ACTIVE STOCKS: Monday, February 28, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	15.7m	950	+13	Sanyo Elec	8.9m	485	+2
Toshiba	9.9m	773	+17	Nomura Sec	8.1m	2,380	+60
Mitsubishi Elec	8.0m	597	+17	Fuji Bank	5.6m	2,330	+50
Nippon Steel	7.1m	352	+3	Matsushita El Ind	5.4m	1,780	+30
Tokyo Gas	7.1m	556	+1	Sharp	4.9m	1,750	+30

INDICES

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US INDICES

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Financial	43.92	43.56	44.36	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	258.57	257.75	261.13	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	467.45	465.58	471.74	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	783.78	778.44	789.11	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 18	Feb 11	Feb 4	Year ago
Dow Jones Ind. Div. Yield	2.59	2.58	2.62	3.07
	Feb 23	Feb 16	Feb 9	Year ago
S & P Ind. Div. yield	2.36	2.34	2.35	2.55
S & P Ind. P/E ratio	28.09	26.18	28.07	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	466.25	467.70	+1.45	467.95	466.25	63,222	174,483
Jun	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Feb	2217.0	2224.9	+27.9	2227.0	2214.0	20,589	11,333
Mar	2228.0	2248.0	+42.0	2249.0	2223.0	21,727	55,138
Apr	2237.5	2259.0	+41.5	2258.0	2237.5	295	1,576

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
BP	4,790,000	57⅞	+⅜
Telefonos	4,495,300	58¼	+⅜
RJR Nabisco	3,930,700	7⅛	+⅛
Syntex	3,916,400	14⅝	+⅜
Ford Motor	2,779,600	61½	-1
Blockbuster	2,697,700	26¼	+¾
Chrysler	2,588,300	55⅝	-½
Merck	2,403,100	32¼	+⅜
US West	2,357,700	40⅜	+1¼
Gen Motors	2,335,800	58¼	-¾

■ TRADING ACTIVITY

● Volume (million)

	Feb 25	Feb 24	Feb 23
New York SE	273.218	341.615	309.891
Amex	273.218	18.214	16.563
NASDAQ	(u)	348.951	295.466
NYSE			
Issues Traded	2,748	2,773	2,754
Rises	1,162	436	951
Falls	934	1,820	1,165
Unchanged	652	517	638
New Highs	48	38	78
New Lows	75	151	62

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¶ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close February 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
16⅝	11½	AAR	0.48	3.0	529	325	16	15⅝	15⅞	+⅛
29½	12¾	A L Labs A	0.18	1.2	35	112	15⅜	15¼	15¼	-⅛
67¼	54⅝	AMP	1.68	2.6	22	3088	63⅞	63¼	63½	+¼
72¾	55½	AMR			30	2769	64⅝	63¼	63¼	-⅝
5	1¾	ARX			15	333	4¾	4½	4½	-⅛
58¼	29⅞	ASA	2.00	4.3	30	1043	46¾	46⅛	46½	+¾
30¾	22⅝	AbbotL	0.76	2.8	16	5869	28	27½	27⅝	+⅛
13⅛	8¼	Abitibi Pr	0.50	4.1	7	20	12⅝	12¼	12¼	-¼
15⅝	8¼	Acptncstn			22	134	12	11¾	12	-⅛
36	25½	ACE Ltd	0.40	1.4	4	849	27⅞	27¼	27⅝	+⅜
12⅝	10¾	ACM Gvt In x	1.08	8.0		590	12¼	12⅛	12⅛	+.35
10⅛	8¾	ACM GvOpp x	0.80	9.0		116	9	d8¾	8⅞	+.80
10⅝	8¾	ACM Gvt Sp x	0.96	9.7		547	9⅞	9¾	9⅞	+.77
12¼	10½	ACM Gvt Se x	1.08	9.8		220	11¼	11⅛	11⅛	+.14
12¼	9⅝	ACM Man x	1.08	9.7		340	11⅛	11	11⅛	+1.21
9⅞	8⅝	ACM Mnsgd x	0.72	8.1		302	8⅞	8¾	8⅞	+.63
12⅞	7¾	AcmeClv	0.44	4.7	11	209	9½	9⅛	9⅜	+¼
11⅞	6⅞	Acme Elect			35	44	8¼	8⅛	8⅛	
27⅞	18⅞	Acordia	0.44	1.6	13	54	26⅞	26¾	27	+⅛
9¾	6⅝	Actava	0.36	4.2	17	185	8⅝	8¼	8⅝	+⅛
16	10⅞	Acuson			91	492	12	11½	11⅞	+¼
21¾	17⅝	Adams Expr	0.38	2.0	0	132	17¾	d17⅝	17¾	
68¼	45½	Ad Micro	3.00	5.9		28	50½	50½	50½	+¼
32¾	16¾	AdvMic	3.00	14.0	9	1618	21⅝	21⅜	21½	+⅛
8¼	5½	Advest Grp	0.16	2.4	10	94	6⅝	6½	6⅝	+⅛
24¾	14¾	Advo Inc	0.10	0.5	133	130	20	19¾	20	+1
58½	41⅛	Aegon ADR	1.23	2.3	11	87	52¾	51¾	52⅝	+1⅛
68¼	43⅞	AetnaL	2.76	4.6	11	4979	62⅞	58⅞	60	-2⅛
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- B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

Continued on next page

4 pm close February 28

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
Continued from previous page										
24¾	13⅛	StylKl	0.36	2.3	8	268	15¾	15½	15⅝	
24⅝	10⅞	Safeway			24	2555	u24¾	24½	24¾	+¼
6¾	2	SafewayW96				783	u5¾	5¾	5¾	+⅛
55½	37½	StJoePaper	0.20	0.4	281	6	53⅝	53½	53½	-⅜
37⅞	28	StJosL&P	1.80	6.2	14	10	29¼	29	29¼	+⅛
98	75	StPaul	3.00	3.6	8	621	84	83	83⅛	
11⅞	6⅛	Salant Crp			10	135	8⅛	8	8	+⅛
75¼	39⅞	Sallie Mae x	1.40	3.1	9	2762	46	45¼	45¼	-¼
14⅜	12⅝	Salomon Br	0.34	2.5		202	13⅝	13½	13½	
51⅞	34	Salomon	0.64	1.3	6	3765	49⅞	49½	49¾	
27⅞	22⅜	SaDgSE	1.48	6.4	12	598	23	22¾	23	+¼
11⅞	8⅝	SantaFeERs	0.16	1.7	9	2525	9¾	9⅝	9⅝	+⅛
40¾	35¼	SantaFePac	2.80	7.0	18	22	39⅞	39½	39⅞	+⅜
26¼	12¾	SanFeP	0.10	0.4	12	7405	23⅛	22¾	22¾	-⅜
31⅛	21	SaraLee x	0.64	2.9	15	9894	22⅜	21⅞	22⅜	+½
52¼	40⅛	Scana Corp	2.82	6.1	12	299	46	45⅜	45⅞	+⅜
25¾	17¾	Scecorp x	1.42	7.9	12	5025	18¼	17⅞	18	+1.68
40½	23⅞	SchererRP			29	642	38½	37⅞	38½	
71	51¾	SchPl	1.80	3.0	14	2171	60⅝	59⅝	59¾	-¼
66⅞	54⅝	Schlmb	1.20	2.1	23	2791	57⅜	56¼	56⅞	+⅝
38⅝	16½	Schwab(C)	0.38	1.0	13	939	27⅞	27	27½	+⅝
9⅝	5⅝	Schwitzer			26	26	9⅛	9	9⅛	+¼
36⅞	17¾	SciAtl	0.12	0.4	54	4913	27½	27	27	+¼
18⅞	9⅛	Scotsman	0.10	0.7	13	18	15⅛	14¾	14¾	-¼
[illegible]										

AMEX COMPOSITE PRICES

4 pm close February 28

[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 28

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AMERICA

Stable Treasury bonds support US stocks

Wall Street

After last week's losses in bond and stock markets, stable Treasury bonds helped US share prices post solid early gains yesterday morning, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was up 11.82 at 3,850.60. The more broadly based Standard & Poor's 500 was also firmer at the halfway mark, up 2.90 at 468.97. The American Stock Exchange composite index improved 2.67 to 259.96 and the Nasdaq composite advanced 5.88 to 789.66. Trading volume on the New York SE was 153m shares by 1 pm.

Trading opened against the backdrop of disturbing news from Bosnia, where US fighters were reported to have shot down four Bosnian airplanes which had been violating the UN's no-fly zone.

Although conflict between Bosnian and US and UN forces in the former Yugoslavia would have little direct impact on financial markets in Europe or the US, the prospect of the US and its allies becoming involved in a prolongued military action in the region would not be good for stock market sentiment, which has already been rattled by rising interest rates in US and international bond markets and by upheavals in global currency markets.

Once trading opened, however, it was clear that the market was willing to ignore the situation in Bosnia, at least for now. Investors were reassured that the downing of Bosnia jets did not immediately escalate into further conflict.

The market received a further boost when US bond prices edged higher during the morning session, buoyed by a February Chicago purchasing managers' report which showed delining prices in the region and a downturn in the local employment market. By early afternoon the benchmark 30-year bond was up ¼ at 94⅔, and the yield had dropped to 6.687 per cent.

Kmart edged forward $⅛ to $19¼ in spite of the fact that the big retailer reported a loss of $974m, including large restructuring charges for the fiscal year to the end of January, 1994. The stock held its own on the news because the bad news had already been discounted by the market, and the share prices was already trading at its 52-week low.

Tobacco stocks were notably weaker. RJR Nabsico fell another $⅛ to $6¾ in volume of 2m shares as investors continued to react negatively to last week's announcement of plans for a $2bn share offering by the big tobacco and food group. Philip Morris, meanwhile, dropped $1⅝ to $56⅞ in volume of 1.9m shares.

On the American Stock Exchange, the "B" shares in Viacom rose $2⅛ to $28⅛ after the entertainment group reported annual net income of $155m and a big advance in subsribers to its MTV Europe channel.

Canada

Toronto was sharply higher by midday, the TSE 300 composite index adding 45.81 or 1.1 per cent to 4,410.04 in moderate volume of 25.2m shares.

EUROPE

UBS falls 4% on brokers' downgrades

The major markets began the week generally stronger, *writes Our Markets Staff.*

ZURICH was the exception, marked lower as the banking sector, which had held up better than the broad market early on during the recent market correction, succumbed to further domestic and foreign selling. The SMI index shed 13.4 to 2,915.5, under pressure from derivatives trading and with a stronger bond market unable to offer much assistance.

Bearer shares in UBS, which reported a 69 per cent rise in 1993 group net profit on Friday, shed another SFr57 or 4 per cent to SFr1,356 as Credit Suisse reduced its recommendation from a buy to a hold. Credit Suisse said that UBS shares were fully valued and it suggested a short term switch into SBC.

At the same time, Goldman Sachs was reported to have echoed the recommended switch to SBC. Merrill Lynch cut its rating on UBS from a hold to a sell in the immediate aftermath of the results.

Credit Suisse bearers finished SFr36, or 5.3 per cent lower, at SFr638 after some late US selling added to earlier pressure from London investors. SBC lost SFr15 at SFr450.

In the opposite direction, Alusuisse added 21 at SFr644 in continued response to its positive earnings forecast last week and amid indications that investors were beginning to switch from interest rate sensitive stocks into cyclicals.

FRANKFURT was lifted by renewed strength in the bond and futures market, although activity was fairly muted throughout the session. There was also a signal from the Bundesbank, which said it would supply funds to the money market at variable rates, that it would make a further cut in interest rates later in the week. The market will be awaiting with interest the release of January M3 data, also due during the week.

The Dax index rose 16.66 to 2,091.57, recovering all of the losses on Friday and the Dax March futures contract advanced 19.00 to 2,099.00.

Daimler-Benz, which had fallen in post-bourse trading on Friday, pulled itself forward DM4.50 to DM812.00 in spite of news that the chairman, Mr Edzard Reuter, was likely to move to Airbus Industrie, which in turn would spark a major reshuffle of senior posts at the industrial group.

The banking sector went against the rising trend, affected by the prospect of lower interest rates: Commerzbank slipped DM3.50 to DM344.50 and Dresdner Bank weakened DM3.50 to DM406.00.

AMSTERDAM regained the upward course helped by an improvement in a number of the highly capitalised issues. Both Royal Dutch and Unilever, which had suffered last week, found support, with respective rises of Fl3.00 and Fl 2.20 to Fl 204.70 and Fl 215.90.

The AEX index closed up 5.11 or 1.2 per cent at 420.75.

The day's story was Polygram, up Fl4.30 or nearly 6 per cent at Fl77.80, which saw a strong rise in 1993 profits, and gave an upbeat forecast for the year ahead. Philips, the parent group, added Fl1.30 to Fl47.30.

Another food group to benefit from the upturn in Unilever was BolsWessanen, rising Fl2.10 or 5 per cent to Fl44.10.

PARIS recovered the 2,200 level as some support for the market returned after last week's declines. The CAC-40 rose 39.14 or 1.8 per cent to 2,208.06.

Turnover was FFr3.7bn.

Euro Disney returned to the news, and the shares advanced FFr1.60 or 5 per cent to FFr34.80, following news that creditor banks had outlined an agreement to provide a rescue package to the theme park operator.

Moulinex gained FFr9.60 or 7.4 per cent to FFr138.60 on a broker's upgrade, while Assurances Générales de France slipped FFr17 to FFr625 after the insurance group said that 1993 profits would be below those of the year before.

MILAN edged forward, the Comit index adding 3.10 to 658.20 in thin trading.

BCI was an exception, adding L131 or 2.2 per cent to L6,060 as the public offer for the shares was launched yesterday. The buying was attributed to investors who fear that heavy demand for the privatisation shares, priced at L5,400, means that allocations will be cut.

ISTANBUL lost 7.4 per cent as the Turkish lira lost more than 5 per cent against the dollar in spite of higher central bank interest rates.

The composite index was down 1,195.92 at 15,003.58, although after a day's low of 14,860.4.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Feb 28	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1458.41	1455.73	1456.51	1455.38	1452.89	1456.24	1455.36	1458.43
FT-SE Eurotrack 200	1512.32	1512.88	1511.73	1511.30	1510.42	1514.44	1512.63	1512.74
	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21			
FT-SE Eurotrack 100	1448.01	1458.74	1489.10	1476.29	1483.51			
FT-SE Eurotrack 200	1498.35	1509.51	1537.95	1530.12	1539.13			

Base value 1000 (26/10/90). High/day: 100 - 1458.44; 200 - 1516.44 Low/day: 100 - 1453.10 200 - 1510.88

ASIA PACIFIC

HSBC lifts Hang Seng index 3%, Nikkei firm

Tokyo

Active buying by foreign investors pushed share prices higher, and the Nikkei average briefly recovered the 20,000 technical resistance level before losing some of its gain on profit-taking, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average finished 193.82 up at 19,997.20 after opening at a day's low of 19,848.58 and peaking at 20,117.21 in the morning. Foreigners supported shares, but selling by institutional investors pushed down the index in the afternoon.

The Topix index of all first section stocks rose 21.84 to 1,631.71, while the Nikkei 300 put on 4.16 at 302.33. Rises outnumbered declines by 810 to 244, with 129 issues unchanged. Volume amounted to 430m shares, against 447m. In London the ISE/Nikkei 50 index was 3.74 firmer at 1,363.01.

The yen's appreciation against the dollar prompted most investors to remain on the sidelines. The Japanese currency closed Y0.65 up at Y104.30, the first rise to the Y104 level since February 18. Some currency traders, who had hoped that a solution for the yen's recent surge would be discussed at the finance ministerial meeting of the Group of Seven leading industrial countries over the weekend, bought the yen.

Electronic stocks and large-capital steels were sought by foreign investors. Hitachi, the day's most active issue, rose Y13 to Y860 and Toshiba Y17 to Y773. Nippon Steel gained Y3 at Y352 and Mitsubishi Heavy Industrial Y7 at Y707.

Multimedia related stocks continued to gain ground. Nippon Telegraph and Telephone climbed Y24,000 to Y976,000 and NEC Y10 to Y1,050.

Arbitrage buying supported bank shares. Industrial Bank of Japan moved up Y50 to Y3,320 and Sakura Bank Y40 to Y1,510. Brokers were also strong, with Nomura Securities adding Y60 at Y2,380 and Nikko Securities Y70 at Y1,390.

Trading of shares in Daiei Finance, a consumer credit company belonging to the Daiei consumer group, was suspended in the afternoon following reports of a merger. The company said it will be merging with Riccar and Asahi Agency Travel, two other companies in the Daiei group.

Profit-taking depressed some electrical machinery shares. Casio Computer fell Y40 to Y1,300 and Akai Electric slipped Y10 to Y440.

In Osaka, the OSE average moved forward 194.00 to 22,138.88 in volume of 80.4m shares.

Aoyama Trading, the men's suit retailer, dropped Y190 to Y5,940 following weekend reports that it was under investigation by the Fair Trade Commission on alleged false advertising of its suits.

Roundup

The region's markets had mixed performances yesterday.

HONG KONG finished sharply higher on a technical rebound from last week's heavy losses and on fresh demand ahead of results of HSBC Holdings which were due out later yesterday.

The Hang Seng index jumped 309.88, or 3.07 per cent, to 10,410.23, off the day's high of 10,462.63. Turnover totalled HK$4.5bn, down from last Friday's HK$7.2bn.

Brokers said a technical rebound was expected after the market's plunge of 725.63 last week. After the market closed, HSBC said 1993 pre-tax profits were £2.58bn, up from £1.71bn in 1992.

HSBC shares rose HK$3 to HK$114 and led the actives list. Its Hang Seng Bank unit gained HK$2 at HK$69.50.

Tuesday's government land auction of three residential sites is expected to attract strong interest, said brokers. The property sector sub-index surged 659, or 3.6 per cent, to 19,012.83.

MANILA declined steeply following the weak performance last week of Philippine Long Distance Telephone. Brokers said the market was also weighed down by government plans to double the stock transaction tax to 0.5 per cent.

The composite index ended 88.52 down at 2,861.51. Turnover came to 861.6m pesos.

PLDT fell by some $5 on Wall Street last Thursday, and the market discounted its slight recovery on Friday. The local price for PLDT dropped 55 pesos to 2,035 pesos.

TAIWAN shed 3.1 per cent to end at its lowest level this year in very bearish trade. Margin loan calls produced persistent selling pressure and the prices of major banks collapsed.

The weighted index lost 175.63 at 5,414.64 in turnover of T$52.9bn. The financial sector plunged 5.3 per cent, with the Big Three banks closing at or near the day's limit down.

BANGKOK tumbled 3.3 per cent to close the day at 1,372.93, down 46.61, on nervousness ahead of local elections this weekend.

BOMBAY closed slightly higher ahead of the budget announcement, which came after the close of business yesterday. However, the market moved further ahead in a 90-minute post-budget session, the BSE 30-share index firming 51.02 to 4,287.98.

AUSTRALIA bounced back after successive falls to close higher, boosted by steadier overseas markets and a jump in the futures sector. The All Ordinaries index rose 31.3 to 2,180.1. Turnover amounted to A$367.6m.

News Corp led the way, gaining 31 cents at A$10.05 with 2.4m shares traded.

NEW ZEALAND rose strongly, retracing some of last week's losses. The NZSE-40 capital index added 28.07 at 2,244.35 in volume of NZ$40m.

SOUTH AFRICA

Non-industrial shares were marked higher as the market was buoyed by a firmer gold bullion price and a shortage of scrip. The overall index added 48 at 4,846, industrials lost 22 at 5,609 and the gold shares index advanced 89 to 1,995.

Bond sell-off provides cue

By Michael Morgan

The sell-off in bond markets by panicking hedge funds last week determined the performance of global equity markets.

Most European centres finished the week lower, with the sharpest falls seen in Italy, Ireland, Germany and the Netherlands. Hong Kong also continued its bumpy ride, although a strong performance by the heavily weighted Japanese market left the FT-Actuaries World Index little changed on the week.

The consensus among most economists yesterday, even before the Bundesbank offered variable rate repos, which hold out the prospect of lower money market rates, was that the shake-out in bond markets was likely to prove temporary and that European interest rates would resume their downward momentum in the not too distant future.

Mr Marcus Grubb at Salomon Brothers is among those remaining optimistic about the outlook for European shares. But he notes that the latest change of mood is likely to continue until the downtrend in the US bond market stabilises or European bond and stock markets decouple from the trend in US markets.

"Further substantial declines in European short-term interest rates, led by the Bundesbank, will push stock markets higher later this year," he says. "Steepening yield curves will also boost inflows of cash into mutual funds. If US liquidity is repatriated as a result of the rising trend in Fed funds, domestic liquidity in Europe is likely to replace it."

Hoare Govett sees no reason why bond yields in the US should dictate the trend in Europe, where economic circumstances are entirely different. The broker notes that the European economic cycle is some 18 months to two years behind that in the US; and in Europe output has barely stabilised after its earlier sharp falls, while the US economy has been growing strongly for around two years.

"In Europe inflationary pressures are still abating, while in the US the first hint of an upturn in inflation is beginning to emerge. Moreover . . . European monetary and fiscal policy settings are extremely restrictive for the current stage of the economic cycle, while US monetary policy is lax. This leads us to suppose the trough of the inflation cycle will be much lower in Europe than it was in the US."

Merrill Lynch notes that signs of a resurgence of inflation are noticeable by their absence in Europe, and its economists believe that bond yields in Europe can continue to fall even if yields rise further in the US. It adds that valuations suggest that equity markets can continue to rise even if bond yields do go up.

"Bond yields are not the only determinant of equity prices; dividend growth also matters. To the extent that higher bond yields reflect faster economic growth, they are likely to be accompanied by strong profits and dividend growth."

Merrill Lynch comments that the impact on equities is the result of a trade-off between these two factors. "We use the framework of the yield ratio to examine this trade-off. We conclude that if the global economic recovery is as strong as we expect, then we could experience rapid dividend growth, rising bond yields and rising equity markets in Europe over the next three years."

NatWest Markets agrees that the bull market, particularly for equities, is not yet over. "Admittedly, the risks have increased, especially if the US long bond pushed decisively above 7 per cent. But in our view, the US bond market fears are overdone." It says history demonstrates that after long periods of falling rates the first rise in the Fed Funds rate does not precipitate a bear market. The key issue for equities and bonds is the schedule for further interest rate increases. "We expect global stock and bond markets to move higher in the months ahead and provide us with a better opportunity to raise cash."

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+0.54	-2.81	+36.13	+42.61	+36.77	+34.63
Belgium	-2.07	-2.29	+22.64	+32.12	+27.07	+25.08
Denmark	-1.95	-0.62	+41.26	+53.91	+46.77	+44.48
Finland	-2.69	-1.32	+94.03	+123.15	+114.38	+111.03
France	-1.94	-4.67	+18.56	+25.66	+21.71	+19.81
Germany	-3.13	-2.80	+23.29	+33.36	+28.64	+26.83
Ireland	-3.48	-5.67	+45.60	+58.55	+41.88	+39.66
Italy	-4.68	+1.02	+31.65	+54.17	+37.48	+35.32
Netherlands	-3.06	-3.98	+29.78	+38.44	+33.52	+31.43
Norway	+1.20	+0.95	+56.39	+58.74	+50.67	+48.31
Spain	-2.98	-5.33	+41.37	+52.63	+27.56	+25.58
Sweden	-2.06	-1.26	+43.35	+50.05	+34.91	+32.80
Switzerland	-2.87	-6.30	+43.27	+43.28	+49.48	+47.15
UK	-2.83	-4.54	+17.86	+18.17	+18.17	+16.32
EUROPE	-2.79	-3.97	+24.87	+29.93	+28.80	+24.89
Australia	-3.28	-4.80	+28.77	+33.13	+41.70	+39.48
Hong Kong	-7.16	-12.94	+62.12	+83.07	+86.18	+83.27
Japan	+3.34	+5.29	+25.99	+23.18	+49.18	+46.84
Malaysia	+5.22	+7.40	+100.95	+112.53	+107.12	+103.86
New Zealand	-2.93	-6.07	+41.77	+45.23	+65.64	+63.07
Singapore	+0.11	+0.35	+49.40	+57.34	+65.69	+63.11
Canada	-0.03	-2.78	+20.37	+23.02	+17.66	+15.82
USA	-0.28	-2.60	+5.00	+6.50	+8.19	+6.50
Mexico	-6.93	-4.41	+57.54	+43.60	+42.01	+39.79
South Africa	-2.07	+1.61	+47.36	+55.43	+62.76	+60.21
WORLD INDEX	-0.16	-1.01	+18.13	+19.67	+26.52	+24.55

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FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 25 1994								THURSDAY FEBRUARY 24 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	174.52	-3.1	173.61	115.53	154.75	161.09	-2.3	3.30	180.06	180.42	119.91	162.00	164.83	188.15	130.19	130.49
Austria (17)	188.70	1.2	187.71	124.91	167.31	167.41	-0.1	0.95	186.43	186.80	124.15	167.72	167.57	195.41	138.63	145.99
Belgium (42)	166.64	1.6	165.77	110.31	147.76	144.33	0.1	3.98	164.10	164.44	109.28	147.64	144.15	169.08	140.99	141.82
Canada (107)	133.94	0.6	133.24	88.66	118.76	130.98	1.0	2.56	133.17	133.44	88.68	119.81	129.74	145.31	118.10	118.82
Denmark (32)	268.91	1.1	267.51	178.01	238.43	244.47	-0.1	0.95	265.95	266.49	177.11	239.28	244.61	275.79	195.66	202.92
Finland (22)	146.90	0.9	146.14	97.25	130.25	170.61	-0.1	0.65	145.54	145.83	96.92	130.94	170.64	156.72	70.02	70.67
France (99)	176.33	0.9	175.41	116.73	156.35	160.54	-0.4	2.90	174.82	175.17	116.42	157.28	161.22	185.37	149.60	155.54
Germany (59)	131.75	0.7	131.06	87.22	116.82	116.82	-0.7	1.81	130.80	131.07	87.11	117.68	117.68	142.38	107.59	111.51
Hong Kong (56)	406.05	-3.2	403.93	268.80	360.04	403.13	-3.2	2.64	419.45	420.30	279.33	377.38	416.38	508.56	233.84	260.45
Ireland (14)	189.63	0.4	188.65	125.53	168.14	186.90	-0.2	3.12	188.91	189.29	125.80	169.97	187.36	209.33	134.97	134.97
Italy (69)	74.25	1.1	73.87	49.15	65.84	93.09	0.4	1.61	73.47	73.62	48.92	66.10	92.70	78.93	55.21	60.04
Japan (469)	154.23	0.8	153.43	102.10	136.76	102.10	0.2	0.80	153.08	153.39	101.94	137.73	101.94	165.91	107.97	109.11
Malaysia (69)	533.07	-1.3	530.30	352.89	472.67	559.76	-1.7	1.31	540.28	541.38	359.79	486.10	569.21	621.63	274.40	275.05
Mexico (18)	2303.60	1.6	2291.58	1524.93	2042.52	8072.22	0.3	0.62	2267.88	2272.42	1510.23	2040.36	8046.16	2647.08	1410.30	1424.49
Netherland (26)	198.99	0.9	197.95	131.73	176.44	174.01	-0.6	3.05	197.25	197.65	131.36	177.47	174.99	207.43	159.83	159.83
New Zealand (14)	69.94	-2.8	69.57	46.30	62.01	64.35	-2.5	3.61	71.97	72.11	47.93	64.75	65.99	77.59	44.74	44.74
Norway (23)	204.24	1.6	203.18	135.20	181.09	205.25	0.4	1.51	201.10	201.51	133.92	180.93	204.48	204.44	138.63	138.63
Singapore (45)	348.01	-1.5	346.20	230.38	308.57	253.79	-1.7	1.59	353.27	353.99	235.26	317.85	258.23	378.92	213.57	224.56
South Africa (60)	237.27	1.0	236.03	157.07	210.38	244.26	0.8	2.37	234.99	235.46	156.49	211.42	242.30	260.26	160.75	167.34
Spain (42)	146.42	0.6	145.66	96.93	129.83	154.46	-0.2	3.60	145.55	145.84	96.93	130.95	154.72	155.79	116.33	122.54
Sweden (36)	219.86	-0.4	218.72	145.55	194.95	260.09	-0.7	1.37	220.79	221.24	147.04	198.65	261.97	230.02	154.79	156.17
Switzerland (49)	166.29	0.8	165.42	110.08	147.44	147.11	-0.7	1.51	165.02	165.35	109.89	148.46	148.12	176.56	109.14	109.14
United Kingdom (215)	200.49	1.1	199.45	132.72	177.78	199.45	0.4	3.62	198.25	198.65	132.02	178.37	198.65	214.96	163.23	163.23
USA (518)	189.68	0.3	188.69	125.56	168.18	189.68	0.3	2.77	189.04	189.42	125.89	170.08	189.04	196.04	176.91	180.64
EUROPE (745)	169.51	0.9	168.62	112.21	150.30	162.22	-0.1	2.81	167.96	168.30	111.85	151.11	162.40	178.58	136.35	136.35
Nordic (113)	212.72	0.3	211.61	140.82	188.61	218.91	-0.4	1.18	212.17	212.60	141.29	190.89	219.80	220.60	145.65	146.47
Pacific Basin (727)	164.30	0.2	163.45	108.77	145.69	113.29	-0.3	1.07	163.97	164.30	109.19	147.53	113.60	168.80	113.95	114.56
Euro-Pacific (1467)	166.32	0.5	165.46	110.10	147.47	132.44	-0.2	1.80	165.48	165.81	110.20	148.88	132.70	170.78	123.36	123.36
North America (625)	186.22	0.3	185.25	123.27	165.11	185.63	0.4	2.76	185.57	185.95	123.58	166.96	184.96	192.73	179.70	178.89
Europe Ex. UK (530)	149.48	0.8	148.70	98.95	132.54	140.14	-0.4	2.29	148.31	148.61	98.78	133.43	140.74	155.73	119.31	119.31
Pacific Ex. Japan (253)	262.14	-2.7	260.78	173.53	232.44	239.90	-2.5	2.53	269.32	269.86	179.35	242.31	246.03	296.21	164.54	167.84
World Ex. US (1652)	167.52	0.5	166.65	110.90	148.54	135.55	-0.1	1.82	166.64	166.97	110.97	149.92	135.76	172.51	124.49	124.49
World Ex. UK (1955)	171.31	0.4	170.42	113.40	151.89	147.95	0.0	2.00	170.65	170.99	113.64	153.53	147.87	175.56	140.47	140.47
World Ex. So. Af. (2110)	173.53	0.5	172.63	114.87	153.86	151.73	0.0	2.16	172.74	173.09	115.04	155.42	151.70	178.56	142.40	142.40
World Ex. Japan (1701)	186.23	0.3	185.26	123.28	165.12	182.03	0.0	2.73	185.60	185.98	123.60	166.98	182.08	195.20	161.44	161.44
The World Index (2170)	173.87	0.5	172.97	115.10	154.17	152.48	0.0	2.16	173.08	173.42	115.26	155.71	152.44	178.97	142.47	142.47

Latest prices were unavailable for this edition.